

MRC PENSION SCHEME ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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TRUSTEE AND ADVISERS

Trustee of the Scheme

M.R.C. Pension Trust Limited

Registered address

2nd Floor, David Phillips Building

Polaris House

North Star Avenue

Swindon, SN2 1FL

Correspondence address

3rd Floor

58 Victoria Embankment

London, EC4Y 0DS

Trustee Directors

John Preston (Chairman)

Professor Kelvin Cain PhD*

Geoff Der*

Hugh Dunlop

Louise McFarlane*

Kevin Moreton PhD

Professor Ian Jackson PhD*

Carole Walker

* Member Nominated Trustee

Investment Subcommittee

John Preston (Chairman)

Professor Kelvin Cain PhD

Professor Howard Cooke PhD#

Hugh Dunlop

Geoff Der

Peter Morgan PhD#

Grant Ballantine# (retired 31 December 2021)

#Co-opted member of the Subcommittee

Secretary to the Trustee

Jim Clerkin FPMI, FCII, Dip-IEB

M.R.C. Pension Trust Limited

3rd Floor

58 Victoria Embankment

London, EC4Y 0DS

Independent Auditors

KPMG LLP (appointed 6 January 2021)

66 Queen Square

Bristol BS1 4BE

Legal Advisers

DLA Piper UK LLP

Walker House

Exchange Flags

Liverpool, L2 3YL

Scheme Actuary

Sue Vivian FIA (resigned 27 January 2022)

The Government Actuary's Department

Finlaison House

15-17 Furnival Street

London, EC4A 1AB

John Coulthard (appointed 27 January 2022)

Retirement Solutions

Aon

Parkside House

Ashley Road

Epsom KT18 5BS

Scheme Administrators

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Leatherhead House

Station Road

Leatherhead

Surrey, KT22 7ET

AVC Providers

Utmost Life and Pensions Services Limited

PO Box 177, Walton Street

Aylesbury

Bucks, HP21 7YH

Standard Life Assurance Limited

30 Lothian Road

Edinburgh, EH1 2DH

Bankers

Royal Bank of Scotland plc

62/63 Threadneedle Street

PO Box 412

London, EC2R 8LA

Custodians

State Street Bank and Trust Company

Quartermile 3, 10 Nightingale Way

Edinburgh, EH3 9EG

Internal Auditors

BDO LLP

150 Aldersgate Street

London, EC1A 4AB

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TRUSTEE AND ADVISERS (CONTINUED)

Investment Consultants

Buck Consultants Limited (until 30 September 2021)
20 Wood Street
London, EC2V 7AF

Redington (from 1 September 2021)
Floor 6 One Angel Court
London EC2R 7HJ

Investment Managers

Ares Management Limited
10 New Burlington Street
London, W1S 3BE

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

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

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

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

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

Infracapital
10 Fenchurch Avenue
London, EC3M 5AG

Invesco Asset Management Limited
43-45 Portman Square
London W1H 6LY

Liontrust Investment Partners LLP
2 Savoy Court
London WC2R 0EZ

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

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

Nuveen LLC
201 Bishopsgate
London, EC2M 3AE

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

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

State Street Global Advisers Limited
20 Churchill Place
Canary Wharf
London E14 5HU

Warburg Pincus International LLC
Almack House
28 King Street
London SW1Y 6QW

Principal Employer

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

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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.

With effect from 1 April 2018, United Kingdom Research and Innovation (UKRI) replaced Medical Research Council (MRC) as principal sponsoring employer. There are nine Directors of M.R.C. Pension Trust Limited (although only 8 served during the year), 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 Chairman. Only four were appointed during the year, 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 retirement benefits of the Scheme are generally an annual pension comprising $1/80^{\text{th}}$ of pensionable salary for the last year of service multiplied by the years (including fractions) of service, and a lump sum retiring allowance of three times annual pension. From 6 April 2006, members have the option to exchange some of their pension for additional tax-free cash at retirement. From 1 April 2018, new members have been receiving pension benefits on career average pensionable salary and retirement age linked to State pension age. The annual accrual rate is $1/60^{\text{th}}$ for each year of service.

For the majority of married members, there is provision for a spouse's pension of one half the member's pension payable on death. From December 2005, registered civil partners became legally entitled to equivalent death benefits, but only in respect of service accrued since 6 April 1988. Following the merger of the supplementary section with the principal 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 $1/160^{\text{th}}$ 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 principal 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.

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

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TRUSTEE'S REPORT (CONTINUED)

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 Principal 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 met on 5 occasions during the year.

Scheme specific Trustee training took place in January 2021 and January 2022, 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.

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TRUSTEE'S REPORT (CONTINUED)

Change of Scheme Actuary

Sue Vivian FIA, The Government Actuary's Department, the Scheme Actuary, resigned with effect from 27 January 2022 and John Coulthard of Aon has been appointed in her place with effect from 27 January 2022.

Following the resignation of Sue Vivian FIA, she reported that there were no circumstances connected with her resignation which, in her opinion, significantly affected the interests of the members or prospective members of, or beneficiaries under, the Scheme.

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 2019. This was the fifth actuarial valuation that was the subject of the Scheme Specific Funding Requirements of the Pensions Act 2004.

The Trustee set up a Valuation Working Group in 2019 to consider the implications of Scheme maturation, 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 which assumes a reducing rate over time linked to CPI. This reducing margin is intended to reflect the lower return expectations as investments are reallocated to lower yield assets as the Scheme matures. Whilst the change to the net discount rate at the 2019 Valuation led to an increase in the technical provisions, the impact was partially offset by better than expected investment performance. An Alternative Funding Objective, linked to the yield curve for UK Gilts, has been set for the Principal Section of the Scheme, to form a benchmark against which to consider this section's progress as it matures.

For the Universities Section, the approach adopted continues to seek to avoid a Section 75 Debt arising at a time a participating employer ceases to participate in the Scheme. Such a debt may arise in accordance with Section 75 of the Pensions Act 1995 if the assets of a scheme or section of a scheme are insufficient to meet the costs of securing members' benefits with an insurer. These approaches were agreed with UKRI as principal employer and approved by the MRC Council in December 2020.

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, an initial investment return of 4.2% pa was assumed for the Principal Section, reducing to 2% over time and 2% for the Universities Section. If consumer price inflation is expected to average around 2% over the average lifetime of the membership to retirement, this will be equivalent to a real rate of return of 2.2% pa or zero for the Principal and Universities Sections respectively. It has been assumed that general salary increases will exceed price inflation by 1.5% pa.

The results of the valuation were discussed and agreed by the Trustee in November 2020 and showed that the Principal Section had a surplus of assets over liabilities of £331.7m and the Universities Section had a surplus of £90.7m. These surpluses corresponded to funding levels of 125% and 127% for the Principal and Universities Sections respectively.

The value of the whole Scheme's assets as at 31 December 2019 was £1,762.0m (compared with the previous valuation as at 31 December 2016, which was £1,405.6m). This reflects the significant upturn in global investment markets during the period since the last valuation.

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TRUSTEE'S REPORT (CONTINUED)

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

	31 December 2019			31 December 2016
	Principal Section	Universities Section	Scheme Total	Scheme Total
	£m	£m	£m	£m
Liabilities	1,315.5	90.7	1,406.2	1,124.5
Assets	1,647.2	114.8	1,762.0	1,405.6
Total Scheme Surplus	331.7	24.1	355.8	281.1
Percentage	125%	127%	125%	125%

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

If the Scheme was wound up on 31 December 2019, the actuary estimated the funding level for the Principal Section would have been 73% and the Universities Section 83%. Inclusion of this information does not imply that MRC (now UKRI) is planning to wind up the Scheme. The valuation method adopted is the Projected Unit method and the principal assumptions are set out in the table below.

The Trustee and MRC signed a Statement of Funding Principles in December 2020.

The results of the next triennial valuation due as at 31 December 2022 are expected to be published towards the end of 2023.

Actuarial Assumptions

The 2019 Actuarial Valuation was carried out by the Scheme Actuary at the time (Mrs Sue Vivian of GAD) as at 31 December 2019. Statements of Funding Principles include details of the actuarial assumptions used to assess the Scheme's liabilities (known as the Technical Provisions). The Pensions Regulator has issued a Code of Practice for the scheme specific funding regime and reviews valuations against this Code. The key actuarial assumptions adopted for each section of the Scheme for the 2016 valuations and for the previous valuations of each section are summarised below.

	Principal Section		Universities Section	
	31 December 2019	31 December 2016	31 December 2019	31 December 2016
	SFO ¹ % pa	SFO ¹ % pa	AFO ² % pa	% pa
Discount Rate*	4.2	4.8	2.0	2.6
Rate of pay increase (excluding promotional increases)	3.5	4.1	3.5	4.1
RPI	2.4	3.5	2.4	3.5
CPI	2.0	2.6	2.0	2.6
Rate of increases to pension in payment in excess of GMPs#	2.0	2.6	2.0	2.6
Rate of deferred pension increases (on benefits in excess of GMPs)	2.0	2.6	2.0	2.6
Post-retirement mortality	S3NXA – 18 x-1	S2NXA – 14 x-1	S3NXA – 18 x-1	S2NXA – 14 x-1

¹Statutory funding objective

²Additional funding objective

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

Guaranteed Minimum Pension; S3NXA-18 are the mortality tables used in the valuation.

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TRUSTEE'S REPORT (CONTINUED)

As the 2019 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 2019 actuarial valuation were sent to all members in February 2021.

The Financial Statements set out on pages 34 to 53 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 58 and 59.

Funding update

The Actuary prepares an annual funding update. The latest annual update as at 31 December 2020 shows liabilities of £1,346m and a surplus of £374m compared to assets of £1,720m for the Principal Section. For the Universities Section, liabilities were £104m, resulting in a surplus of £41m compared to assets of £145m as at the same date.

Contributions

Employers' contributions

The Trustee and MRC considered the valuation results very carefully, together with the advice given by the Actuary. They concluded that it would be appropriate for MRC (now UKRI) to make employer contributions to the Principal Section at a rate of 16% of pensionable salary (increased from 15%) with effect from 1 April 2021. All other participating employers will contribute at a rate of 16.9% of pensionable salary.

Following the 2019 valuation, MRC (now UKRI) increased its contribution rate to the Universities Section from 23.6% of pensionable salary to 27.1% with effect from 1 April 2021.

During the year, UKRI has made additional quarterly payments amounting to £5.4m (2020: £5.5m) in total towards the funding of the Universities Section and in accordance with the Schedule of Contributions and £7m in March 2021 and £4m in March 2022 towards cash flow and in anticipation of a gradual increase in the employer contribution rate of the University Section.

Employees' contributions

Members' contributions from new entrants to the Scheme to both the Principal and Universities sections were unchanged during 2021 at 6.5% of pensionable salary, including members under the new CARE section. For historical reasons, some members pay 6% and those formerly in the maintenance grades pay 5%. In addition, those in the former supplementary section with a pension age of 60 paid an additional 0.25% and those with a pension age of 65 paid an additional 0.50%.

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TRUSTEE'S REPORT (CONTINUED)

Governance

The Trustee, through its Board of Trustee Directors, take the management of the Scheme very seriously and always seek to follow best practice in their approach to Scheme governance.

In addition to undergoing Scheme specific Trustee training each year, the Trustee has undertaken a review of key advisers needed to administer the Scheme. Key meeting documents are also held electronically on a secure website which is hosted by Diligent.

The Trustee produces an annual business plan against which Scheme performance can be measured. The Chairman conducts regular one-to-one interviews to help individual Trustee Directors to assess their personal and collective contribution to the effective management of the Scheme.

MNPA was the chosen professional partner to run the day to day administration of the Scheme with effect from 2001. MNPA changed its name for branding purposes to Ensign Pensions. Ensign Pensions Administration was subsequently purchased by JLT and JLT Employee Benefits became the third-party administrator for the Scheme. On 1 April 2019, Jardine Lloyd Thompson Group Plc (JLT) was acquired by Marsh & McLennan Companies (MMC). As a result, JLT Employee Benefits became part of Mercer Limited, a MMC Company, and JLT rebranded as Mercer in February 2020.

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

There has been no change to the funding basis of the Scheme and no weakening of the strength of the principal employer's covenant or commitment to the Scheme, which is regularly monitored and reviewed by the Trustee. Members have the additional protection of the PPF should UKRI, as principal sponsoring employer, ever fall into financial difficulty.

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.

Bribery Act 2011 and Conflicts of Interest

The Trustee has amended their conflicts of interest policy in order to meet the requirements of the Bribery Act 2011 in relation to gifts and hospitality. The policy was reviewed in March 2017 and is due to be reviewed again in 2022. 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 Subcommittee meeting.

MRC PENSION SCHEME

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TRUSTEE'S REPORT (CONTINUED)

Covid-19

The Covid-19 global pandemic significantly disrupted investment markets and made a global recession inevitable during 2020. The effects of the pandemic continue to impact economic recovery. Economic stimulus and pent-up demand saw a solid upswing in global markets, beginning in Asia during 2021, as the virus threat started to recede as a result of vaccine rollout. During this time of disruption and uncertainty, the Trustee maintained its long-term approach to investment strategy, focussing on cashflow management in order to ensure that the Scheme has the liquidity to continue to pay pension benefits as and when they fall due.

The Trustee has discussed the strength of the employer covenant as part of the actuarial valuation process, which is viewed as strong. The view is that the strength of the covenant has not been negatively impacted as a result the pandemic outbreak, and it could be argued that the sponsorship of a public service employer which is being funded for medical research means that the covenant is considerably stronger, particularly when compared to other funded pension schemes in the private sector.

The Scheme continues to be administered by Mercer and was managed effectively during lockdown, so that benefits continued to be paid on time. Staff at Mercer are returning to the office, so that there is less reliance on working from home.

Russia and Ukraine

Whilst there are no significant specific concerns regarding the portfolio arising from the current military conflict between Russia and Ukraine, because of limited exposure to those countries, the wider impact on the portfolio is being monitored with the help of Redington as investment adviser. Based on an initial overview of the Scheme's regional and manager exposures, the equity portfolio is expected to perform in line with global equity benchmarks. The Scheme's credit, property and infrastructure assets are expected to have a more limited impact, although it will take longer to know the impact of recent market moves on less liquid assets. The diversification in the Scheme's overall portfolio is therefore considered to be delivering as intended.

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 rising inflation, however short term, will be given careful consideration when formal discussions around the 2022 Triennial Valuation get underway at the end of the year, 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 recently the use of this data was regulated under the Data Protection Act 1998, which places certain responsibilities on those who exercise control over the data. Data controllers include MRC, UKRI, the 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 2021.

MRC PENSION SCHEME

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TRUSTEE'S REPORT (CONTINUED)

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. MRC worked closely with the Department for Business, Energy and Industrial Strategy (BEIS), its sponsoring government department, and HM Treasury to ensure that UKRI replaced MRC and to this end the legislation was amended during its passage through the House of Commons to enable UKRI to operate a number of staff pension schemes.

The Trustee worked closely with UKRI, particularly in regard to the most recent triennial actuarial valuation as at 31 December 2019.

MRC PENSION SCHEME

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TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Scheme as at 31 December 2021 are given below: -

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

	Principal Section 2021	Universities Section 2021	Total 2021	Total 2020
ACTIVE MEMBERS				
Active members at the start of the year	1,313	471	1,784	1,876
Adjustments from prior year**	(3)	-	(3)	(11)
New entrants in the year*	147	-	147	155
Retirements	(27)	(17)	(44)	(28)
Death in service	-	-	-	(4)
Members leaving with preserved benefits	(137)	(26)	(163)	(115)
Leavers with benefits pending	(49)	-	(49)	(63)
Members leaving with a refund/set to no liability	(8)	-	(8)	(26)
ACTIVE MEMBERS AT THE END OF THE YEAR	1,236	428	1,664	1,784
PENSIONERS				
Pensioners at the start of the year	3,168	132	3,300	3,212
Adjustments from prior year**	-	-	-	21
Members retiring during the year	124	22	146	128
New spouse and dependent pensioners	29	-	29	44
Pensions ceased (including deaths)	(107)	(2)	(109)	(105)
PENSIONERS AT THE END OF THE YEAR	3,214	152	3,366	3,300
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS				
Number at the start of the year	4,463	604	5,067	5,060
Adjustments from prior year**	3	-	3	5
Leavers during the year with preserved benefits	137	26	163	115
Pension sharing order	1	-	1	-
Deferred pensioners becoming pensioners	(97)	(5)	(102)	(99)
Transfers out during the year	(12)	(2)	(14)	(6)
Commutations	(6)	-	(6)	(5)
Deaths	(1)	-	(1)	(3)
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS AT THE END OF THE YEAR	4,488	623	5,111	5,067
<i>Pending members* (as shown on the following page)</i>	237	16	253	232
TOTAL MEMBERSHIP AT THE END OF THE YEAR	9,175	1,219	10,394	10,383

Pensioner members include 445 (2020: 446) 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.

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TRUSTEE'S REPORT (CONTINUED)

Membership Figures Adjustments

MRC membership movements are further influenced by the pay award process as pay awards are agreed a number of months after the annual pay review date of April; for leavers this is referred to as 'Pay After Date of Leaving' (PADL). The approved procedure is that deferred leavers are not processed until the pay award is agreed, so that information issued to members includes the benefit of the salary increase. Once the pay award is implemented Mercer process all leavers who left between April and the date when the salary increase was agreed. The 2020 pay award was implemented by UKRI in March 2021. The 2021 pay award was implemented by UKRI in March 2021.

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

	Principal Section 2021	Universities Section 2021	Total 2021	Total 2020
PENDING MEMBERS*				
At the start of the year	216	16	232	216
Adjustments from prior period	(1)	-	(1)	1
New leavers with benefits pending	49	-	49	63
Leavers with refunds	(17)	-	(17)	(30)
Transfer out	(10)	-	(10)	(18)
Total	237	16	253	232

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

MRC's staging date under auto-enrolment was 1 July 2013. Since that date, all new MRC staff have been enrolled in the Scheme automatically on appointment. Eligible staff not in the Scheme prior to 1 July 2013 could join the Scheme at any time, but were not auto-enrolled until 1 October 2017, in line with transitional arrangements. A re-enrolment exercise for staff that joined MRC after 1 July 2013, but chose to opt out of the Scheme, took place during May 2016. Eligible staff not in the Scheme were auto enrolled into the new CARE section by UKRI on 1 April 2018. UKRI undertook a statutory re-enrolment exercise in April 2021.

Financial development of the Scheme

The financial statements on pages 34 to 53 show that the value of the Scheme's assets increased during the year by £239.4m to £2,127.2m as at 31 December 2021. The increase was comprised of net withdrawals from dealings with members of £17.2m and a net increase in investment returns of £256.6m. 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.

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YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

Benefits paid

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

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

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

Pension Increases

The increase awarded in April 2021 was 0.5%, with the exception of the pre 1988 GMP element, which received no increase. There were no discretionary increases. The increase awarded in April 2022 was 3.1%.

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 35 (2020: 35) members contributed to money purchase AVCs as at 31 December 2021; the total value of the accumulated AVC funds held by Utmost Life and Pensions and Standard Life at that date was £2.7million (2020: £2.7million).

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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

Scheme administration service provided by Mercer

During 2021, Mercer produced Benefit Statements for active members of the Scheme and these were distributed during July 2021. Pension Savings Statements covering the 2020/2021 tax year were issued in July 2021. Copies of the summarised version of the 2020 Annual Report were circulated in September 2021. These are annual communication exercises facilitated by Mercer on behalf of the Trustee.

Mercer 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, Mercer also work closely with the Francis Crick Institute and the Universities payroll departments to ensure the delivery of timely and accurate data for benefit entitlements and administration.

Legislation

The 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) 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 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 2026.

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.

The Trustee is taking appropriate advice and steps in order to comply with the Pension Schemes Act 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.

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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

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.

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

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

Investment Report

Investment policy and management

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

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

The Trustee's long-term objective is to achieve an investment return of at least 2.2% above the rate of consumer price inflation. The strategy adopted to achieve that objective 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. The investment policy was reviewed following the 2019 Valuation and will undergo further review following the Pension Schemes Act 2021.

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 will be 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 will hold tobacco stocks from time to time and this exposure is monitored by Redington. At 31 December 2021, less than 0.1% (2020: less than 0.1%) of total assets were held in tobacco stocks.

On the advice of Buck (the former investment consultant), 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 Subcommittee ("ISC") (see page 2 for membership) usually meets five times a year to discuss and review investment performance.

Asset values suffered a sudden global downturn in March 2020 owing to the outbreak of the Covid-19 pandemic. Global equities recovered to a certain extent during 2020 and rebounded during 2021. The Scheme benefited from positive market conditions during the year. The annual return for 2021 was a return of 15.4%, net of fees, compared to the total Scheme benchmark return of 12.4%.

With the help of its new investment adviser, Redington, the Trustee continues to monitor investment risk closely and to prepare for compliance with new statutory requirements on sustainable investment and new disclosure framework using metrics relating to climate change and carbon emission data in respect of the investment portfolio.

The total investment return for the three years to 31 December 2021 was 12.1% per annum net of fees, compared to the benchmark return of 9.7%.

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. The SIP for the Universities section, dated 26 November 2013, was updated in March 2018 to reflect the change in asset allocation. The SIP for the Principal Section was also updated in March 2018 to reflect the changes in equity managers. Both SIPs were updated in June 2019 to meet regulatory requirements around disclosure of Environmental, Social and Governance (ESG) consideration when making investment decisions. A combined SIP was produced in June 2020 and is scheduled for review in 2022.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

The Trustee also follows a medium term asset allocation which gives the Investment Subcommittee flexibility to move outside of the strategic benchmark for tactical reasons. The ranges of tactical allocation for each asset class are included in the SIP and the asset distribution in the table below fell within the ranges of tactical allocation at the year end. The SIP was updated in June 2020 and will be reviewed in 2022 in order to meet new regulatory disclosure deadlines.

The comparative asset distribution of the Scheme as at 31 December 2021 and 31 December 2020 are noted in the table below (Principal Section only):

	31 Dec 2021	31 Dec 2020
	%	%
UK Corporate Bonds	6.4	7.7
Index linked securities	2.5	3.0
UK Equities	15.4	14.9
Overseas Equities	21.5	22.2
Property (Direct)	10.8	10.3
Pooled investment vehicles:		
Overseas Equity	14.1	14.4
Private Equity	9.7	5.9
Private Debt	3.0	1.2
Infrastructure	3.3	3.1
Property	11.2	13.8
Bonds	0.3	0.3
Cash	0.3	1.4
AVC Funds	0.1	0.1
Cash deposits and other investment balances	1.4	1.7
	100.0	100.0

At the year end, the Universities Section was 76% (2020: 80%) invested in UK Pooled Investment bonds and 24% (2020: 20%) in 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 (2020: nil).

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

Custodial arrangements

The Trustee has appointed State Street as custodian for RLAM, Baillie Gifford, First Sentier, Invesco, Liontrust 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. A separate segregated portfolio with State Street was set up in March 2018, when Baillie Gifford was appointed as equity manager to the Universities Section.

The 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.

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

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

Trustee's policy on 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 will require pension schemes with assets above £1bn to make additional disclosures about climate change and sustainable investment from 2023.

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 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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

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 and/or through an insurance contract.

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 market each manager will maintain a diversified portfolio of securities.

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

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach / 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 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 themselves that it is consistent with the above approach.

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

The Trustee's objective is that the financial interests of the Scheme members is 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

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

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.

The Trustee reviews the investment managers' policy in respect of non-financially material considerations on an annual basis to satisfy themselves that it is consistent with the above approach.

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.
- Due to the 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 securities (or funds), which ensures that the risk being accepted in each 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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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, to maximise financial returns 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.

The Trustee's policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee does not envisage being directly involved with peer to peer engagement in investee companies. The Scheme's fund managers are expected to act as financial intermediaries with investee companies.

The Trustee's policy in relation to voting rights

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

Investment management monitoring

The Trustee will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant. The frequency of these reviews will depend on the Trustee's investment beliefs and overall objectives for investing in the specific funds or mandates at the outset.

The overall performance of the investment managers is monitored by the Trustee with the assistance of the investment consultant.

The investment managers will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report verbally or provide additional presentations on request to the Trustee.

The investment managers will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds or segregated mandates used by the Scheme as and when they occur.

The Trustee receives an independent investment performance monitoring report from the investment consultant on a quarterly basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

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.

The Trustee also expects its investment managers to take non-financial matters into account as long as 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.

- **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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

- **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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

The make-up of the Scheme's total investments of £2,103.4 million as at 31 December 2021 across investment managers is as follows (£000's):

Asset Class	Index Linked	PRINCIPAL SECTION						UNIVERSITIES SECTION						Total Assets	
		£000's	£000's	UK Corporate Bonds	FX /Futures	UK Equities	Overseas Equities	Property	Pooled Investment Vehicles	AVCs	Cash, accrued income and outstanding trades	Total Assets-Principal Section	Pooled Investment Vehicles		Global Equities
Legacy		£000's		£000's	£000's	£000's	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's
L&G									73		160	160			160
Hg									65,387		73	65,387			73
Ares									57,358			57,358			57,358
First Sentier							127,643				3,055	130,698			130,698
Invesco						13,169	66,700				1,842	81,711			81,711
Liontrust						122,787					5,197	127,984			127,984
Morgan Stanley									85,635			85,635			85,635
RLAM	48,667								6,020		2,975	181,574	126,067		307,641
Nuveen								210,375	14,116		10,858	235,349			235,349
State Street					8	148,924			185,808		773	335,513			335,513
Aviva									130,068		1,135	131,203			131,203
M&G									73,924		649	74,573			74,573
Partners Group									67,548			67,548			67,548
Baillie Gifford						14,011	222,433				2,117	238,561	39,001	709	278,271
Infracapital									62,859			62,859			62,859
RLAM - Cash									6,575			6,575			6,575
Warburg Pincus									52,160			52,160			52,160
Other										2,749		2,749			2,749
Total	48,667	123,912	8	298,891	416,776	210,375	807,531	2,749	28,761	1,937,670	126,067	39,001	709	2,103,447	
Section only	2.5	6.4	0.0	15.4	21.5	10.9	41.7	0.1	1.5	100.0	76.1	23.5	0.4	100.0%	
Total Assets	2.3	5.9	0.0	14.2	19.8	10.0	38.4	0.1	1.4	92.1	6.0	1.9	0.0	100.0%	

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 2021.

	Year ended 31 December 2021	
	Scheme Return	Total Scheme Benchmark
	%	%
UK Corporate Bonds	0.1	-1.1
UK Index-Linked Gilts	4.6	4.3
Equities	13.7	13.5
Property	17.8	10.3
Infrastructure	21.1	11.9
Direct Lending	20.0	7.6
Private Equity	42.2	22.9
Total Scheme	15.4	12.4
3 years ended 31 December 2021	12.1	9.7
5 years ended 31 December 2021	9.8	7.7
10 years ended 31 December 2021	10.4	8.7

As the table above shows, the overall return for the year was 15.4% after fees, which was above the Total Scheme Benchmark. The Scheme's performance is above the benchmark when measured over the last 3 years, 5 years and 10 years. The return on the fund for 2021 is above the Actuary's assumptions that the yield on investments would be 0.7% greater than the increase in earning and 2% greater than the increase in pensions.

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 2021 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 2021.

MRC PENSION SCHEME YEAR ENDED 31 DECEMBER 2021

TRUSTEE'S REPORT (CONTINUED)

Further information

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

All members are encouraged to use the website at www.mrcps.co.uk.

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, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET.

mrc_pensions@mercer.com

Acknowledgements

The Trustee wishes to record its thanks to Mr Grant Ballantine and Mrs Sue Vivian for their service to the Scheme.

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


Chairman

21st June 2022.
Date

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedules in respect of the year ended 31 December 2021

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 Principal Section, and on 16 December 2020 for the Universities Section.

Contributions payable under the Schedules

	Principal Section £000	Universities Section £000	Total £000
Employer:			
Normal contributions	8,030	15,833	23,863
Employee:			
Normal contributions	3,283	1,335	4,618
Contributions payable under the Schedules (as reported on by the Scheme auditor)	11,313	17,168	28,481

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

Contributions payable under the Schedules (as above)	11,313	17,168	28,481
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme auditor):			
Employer:			
Additional contribution	-	-	-
Augmentation contributions	1,226	-	1,226
Employee:			
Additional voluntary contributions	174	-	174
Added years contributions	93	61	154
Total contributions reported in the financial statements	12,806	17,229	30,035

Approved by the Trustee and signed on its behalf by:

Chairman

Date

21st June 2022.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 2021 which is set out on page 28.

In our opinion contributions for the Scheme year ended 31 December 2021 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 Principal 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 16, 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.



Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square
Bristol
BS1 4BE

Date.....24 June 2022.....

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 2021 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 2021 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.

Conclusions relating to 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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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, including the internal audit function, 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 property assets and level 3 pooled investment vehicles. 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.
- Assessing whether the judgement made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 29 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 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 their statement set out on page 16, 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.

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021

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.



Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
Date.....24.June.2022.....

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Principal Section £000	Universities Section £000	Total 2021 £000	Principal Section £000	Universities Section £000	Total 2020 £000
CONTRIBUTIONS AND BENEFITS							
Contributions							
Employers	4	9,256	15,833	25,089	9,376	9,276	18,652
Employee	4	3,550	1,396	4,946	3,678	1,598	5,276
		12,806	17,229	30,035	13,054	10,874	23,928
Benefits	5	(43,933)	(739)	(44,672)	(42,858)	(923)	(43,781)
Transfers out	6	(202)	(14)	(216)	(165)	(18)	(183)
Payments to and on account of leavers	7	(47)	-	(47)	(40)	-	(40)
Administrative expenses	8	(2,285)	(40)	(2,325)	(2,245)	(40)	(2,285)
		(46,467)	(793)	(47,260)	(45,308)	(981)	(46,289)
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		(33,661)	16,436	(17,225)	(32,254)	9,893	(22,361)
INVESTMENT RETURNS							
Investment income	9	40,213	328	40,541	33,280	249	33,529
Change in market value of investments	11	217,132	6,412	223,544	99,458	20,499	119,957
Investment management expenses	10	(7,006)	(428)	(7,434)	(7,526)	(340)	(7,866)
Taxation		(25)	-	(25)	(28)	-	(28)
NET RETURNS ON INVESTMENTS		250,314	6,312	256,626	125,184	20,408	145,592
NET INCREASE IN THE FUND DURING THE YEAR		216,653	22,748	239,401	92,930	30,301	123,231
NET ASSETS OF THE SCHEME AT 1 JANUARY		1,742,679	145,070	1,887,749	1,649,749	114,769	1,764,518
NET ASSETS OF THE SCHEME AT 31 DECEMBER		1,959,332	167,818	2,127,150	1,742,679	145,070	1,887,749

The notes on pages 36 to 53 form an integral part of these financial statements.

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021


STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31
DECEMBER 2021

	Note	Principal Section £000	Universities Section £000	Total 2021 £000	Principal Section £000	Universities Section £000	Total 2020 £000
INVESTMENT ASSETS							
Equities	11	715,667	39,001	754,668	642,635	32,923	675,558
Bonds	11	172,679	-	172,679	184,087	-	184,087
Pooled investment vehicles	11	807,531	128,087	935,618	693,788	109,516	803,304
Property	11	210,376	-	210,376	177,890	-	177,890
Derivatives	11	8	-	8	1	-	1
Other investment assets	11	9,279	26	9,305	12,008	22	12,030
AVC Investments	11	2,749	-	2,749	2,676	-	2,676
Cash	11	23,781	683	24,464	24,214	621	24,835
		<u>1,941,969</u>	<u>185,777</u>	<u>2,107,746</u>	<u>1,737,299</u>	<u>143,082</u>	<u>1,880,381</u>
INVESTMENT LIABILITIES							
Derivatives	11	-	-	-	(5)	-	(5)
Other investment liabilities	11	(4,289)	-	(4,289)	(4,541)	-	(4,541)
		<u>1,937,670</u>	<u>185,777</u>	<u>2,103,447</u>	<u>1,732,753</u>	<u>143,082</u>	<u>1,875,835</u>
TOTAL INVESTMENTS							
CURRENT ASSETS	13	24,273	2,271	26,544	18,671	2,189	20,860
CURRENT LIABILITIES	14	(2,611)	(230)	(2,841)	(8,745)	(201)	(8,946)
TOTAL NET ASSETS AT 31 DECEMBER		<u>1,959,332</u>	<u>187,818</u>	<u>2,127,150</u>	<u>1,742,679</u>	<u>145,070</u>	<u>1,887,749</u>

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

The notes on pages 36 to 53 form an integral part of these financial statements.

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


Chairman

21st JUNE 2022.
Date

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 Principal 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 impact of the ongoing COVID 19 pandemic 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 2020 shows a surplus of £374m for the Principal Section and a surplus of £41m 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 of Business, Energy and Industrial Strategy (BEIS). The Trustee has no reason to believe that future funding will not be forthcoming from BEIS.

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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 RICS on 31 December 2021 by CBRE Ltd, Valuation Advisors who are members of The Institute of Chartered Surveyors. Their registered address is St Martins Court, 10 Paternoster Row, London, EC4M 7HP.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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

	Principal Section 2021 £000	Universities Section 2021 £000	Total 2021 £000	Principal Section 2020 £000	Universities Section 2020 £000	Total 2020 £000
Employers' Contributions						
Normal contributions	8,030	15,833	23,863	7,823	9,276	17,099
Augmentations	1,226	-	1,226	553	-	553
Additional contributions	-	-	-	1,000	-	1,000
	9,256	15,833	25,089	9,376	9,276	18,652
Employees' Contributions						
Normal contributions	3,283	1,335	4,618	3,350	1,523	4,873
Additional voluntary contributions	174	-	174	206	-	206
Added years contributions	93	61	154	122	75	197
	3,550	1,396	4,946	3,678	1,598	5,276
	12,806	17,229	30,035	13,054	10,874	23,928

MRC paid additional Employer contributions of £nil in March 2021 (2020: £1.0m) to the Principal Section and £7.0m in March 2021 (2020: £nil) towards the cashflow of the Universities Section. MRC also paid £5.40m (2020: £5.54m) to the Universities Section in 2021, and will continue to pay amounts quarterly, to meet the requirements of the Schedule of Contributions. These amounts are included within Employers' normal contributions.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 BENEFITS

	Principal Section 2021 £000	Universities Section 2021 £000	Total 2021 £000	Principal Section 2020 £000	Universities Section 2020 £000	Total 2020 £000
Pension payments	37,164	387	37,551	36,821	282	37,103
Commutations and lump sum retirement benefits	6,552	317	6,869	5,212	369	5,581
Lump sums on death	70	35	105	403	272	675
Tax paid*	147	-	147	422	-	422
	43,933	739	44,672	42,858	923	43,781

*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

	Principal Section 2021 £000	Universities Section 2021 £000	Total 2021 £000	Principal Section 2020 £000	Universities Section 2020 £000	Total 2020 £000
Individual transfers out to other schemes	202	14	216	165	18	183

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Principal Section 2021 £000	Universities Section 2021 £000	Total 2021 £000	Principal Section 2020 £000	Universities Section 2020 £000	Total 2020 £000
Refunds to members leaving service	47	-	47	40	-	40

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 ADMINISTRATIVE EXPENSES

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Administration and processing	678	35	713	634	34	668
MRC head office recharge	142	-	142	134	-	134
Actuarial fees	193	-	193	318	-	318
External audit fee	72	-	72	75	-	75
Tax services	6	-	6	8	-	8
Legal fees	98	-	98	71	-	71
Regulatory fees	875	5	880	895	6	901
Trustee fees and expenses	95	-	95	51	-	51
Internal audit fees	49	-	49	29	-	29
Other professional	43	-	43	-	-	-
Communication costs	30	-	30	26	-	26
Other expenses	4	-	4	4	-	4
	2,285	40	2,325	2,245	40	2,285

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

9 INVESTMENT INCOME

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Dividends from equities	13,979	332	14,311	10,204	245	10,449
Income from bonds	5,082	-	5,082	3,219	-	3,219
Income from pooled investment vehicles	11,154	-	11,154	9,775	9	9,784
Rental income	10,065	-	10,065	10,146	-	10,146
Interest on cash deposits	-	-	-	82	-	82
Foreign currency (loss)	(67)	(4)	(71)	(146)	(5)	(151)
	40,213	328	40,541	33,280	249	33,529

Included within dividends from equities is overseas investment income which has been stated gross of withholding taxes totalling £25k (2020: £28k). This represents irrecoverable withholding taxes which have been reported under 'Taxation' within the Fund Account.

10 INVESTMENT MANAGEMENT EXPENSES

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Administration, management & custody	5,675	428	6,103	4,737	340	5,077
Out-performance fee	473	-	473	638	-	638
Non-recoverable property expenses	1,565	-	1,565	3,293	-	3,293
VAT recovered	(707)	-	(707)	(1,142)	-	(1,142)
	7,006	428	7,434	7,526	340	7,866

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENTS

11.1 RECONCILIATION OF INVESTMENTS – PRINCIPAL SECTION

Reconciliation of investments held at beginning and end of year:

	Value at 01 January 2021	Purchases at Cost and Derivative payments	Sales Proceeds and Derivative receipts	Change in market value	Value at 31 December 2021
	£000	£000	£000	£000	£000
Equities	642,635	155,829	(153,460)	70,663	715,667
Bonds	184,087	31,389	(38,961)	(3,936)	172,579
Pooled investment vehicles	693,788	106,294	(112,881)	120,330	807,531
Property	177,890	2,729	-	29,756	210,375
Derivatives - net	(4)	163	(179)	28	8
AVC investments	2,676	174	(392)	291	2,749
	1,701,072	296,578	(305,873)	217,132	1,908,909
Cash deposits	24,214				23,781
Accrued Income	6,276				6,678
Property debtors	3,377				2,601
Other investment assets	2,355				-
Property creditors	(4,018)				(4,299)
Other investment liabilities	(523)				-
	1,732,753				1,937,670

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.

During the year the Scheme increased its holdings of private equity and infrastructure by investing in two more funds with Hg Capital (Hg Mercury 3 and Hg Genesis 9). This was funded by disinvesting some of the passive equity funds held with State Street. At 31 December 2021, the Scheme held private equity and infrastructure investments with Partners Group of £67.548m (2020: £44.573m); private equity investments with Hg Capital of £65.386m (2020: £44.869m) and Warburg Pincus £52.160m (2020: £21.809m), private debt with Ares of £57.358m (2020: £22.956m) and infrastructure with Infracapital of £64.770m (2020: £57.960m). These holdings total 14.6% (2020: 10.1%) of the Scheme's net assets.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.2 RECONCILIATION OF INVESTMENTS – UNIVERSITIES SECTION

	Value at 01 January 2021	Purchases at Cost	Sales Proceeds	Change in market value	Value at 31 December 2021
	£000	£000	£000	£000	£000
Equities	32,923	11,612	(8,160)	2,626	39,001
Pooled Investment Vehicles	109,516	12,765	-	3,786	126,067
	142,439	24,377	(8,160)	6,412	165,068
Cash	621				683
Accrued income	22				26
	143,082				165,777

11.3 CONCENTRATION OF INVESTMENTS

The following asset, within the Principal Section, accounts for more than 5% of the Scheme's total net assets at 31 December 2021.

	2021	2021	2020	2020
	£000	%	£000	%
Aviva Lime Property Fund	130,068	6.1	119,306	6.3

11.4 TRANSACTION COSTS

Included within the purchases and sales figures are direct transaction costs of £974,000 (2020: £1,850,000). Direct transaction costs incurred are analysed below:

	Fees	Commission	Stamp Duty	Total 2021	Total 2020
	£000	£000	£000	£000	£000
Equities	193	122	-	315	367
Property	566	-	93	659	1,483
	759	122	93	974	1,850

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

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Details of investments held at year end

11.5 PROPERTY

	2021 £000	2020 £000
UK freehold property	168,725	142,940
UK leasehold property	41,650	34,950
	210,375	177,890

During the year the Scheme purchased an industrial property in Bristol for £2,070,000.

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

11.6 POOLED INVESTMENT VEHICLES

	Principal Section 2021 £000	Universities Section 2021 £000	Total 2021 £000	Principal Section 2020 £000	Universities Section 2020 £000	Total 2020 £000
Equities	271,516	-	271,516	268,894	-	268,894
Bonds	6,020	126,067	132,087	5,651	109,516	115,167
Private equity	185,095	-	185,095	111,251	-	111,251
Private debt	57,358	-	57,358	22,957	-	22,957
Infrastructure	62,859	-	62,859	57,960	-	57,960
Property	218,108	-	218,108	200,526	-	200,526
Cash	6,575	-	6,575	26,549	-	26,549
	807,531	126,067	933,598	693,788	109,516	803,304

11.7 DERIVATIVES

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

	2021 Assets £000	2021 Liabilities £000	2020 Assets £000	2020 Liabilities £000
Forward foreign exchange	-	-	1	-
Equity futures	8	-	-	(5)
	8	-	1	(5)

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.8 DERIVATIVE CONTRACTS OUTSTANDING

Forward Foreign Exchange Contracts

The Scheme enters into Forward Foreign Exchange contracts to hedge against future currency fluctuations with regard to the holdings in foreign currencies. There were no outstanding contracts at the end of 2021. The prior year holdings were as follows:

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	2020 Asset £000	2020 Liability £000
Forward (OTC)	2 Jan 2020	GBP 99	HKD 1,036	1	-

Futures contract

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

Contracts	Expiration	Underlying Investment	Notional Value	2021 Asset Value £000	2021 Liability Value £000
Future x 8	Less than 1 year	FTSE 100 IDX	GBP585,920	8	-

Contracts	Expiration	Underlying Investment	Notional Value	2020 Asset Value £000	2020 Liability Value £000
Future x 5	Less than 1 year	FTSE 100 IDX	GBP321,000	-	(5)

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:

	2021 £000	2020 £000
Utmost		
– unit trusts	347	458
Standard Life		
– with profits	52	52
– unit trusts	2,350	2,166
	2,749	2,676

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.10 CASH DEPOSITS

	2021 £000	2020 £000
UK Cash	23,049	23,607
Overseas Cash	732	607
	23,781	24,214

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 37 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:

Principal Section	Level 1 £000	Level 2 £000	Level 3 £000	Total 2021 £000
Equities	715,667	-	-	715,667
Bonds	-	172,579	-	172,579
Pooled investment vehicles	-	284,111	523,420	807,531
Property	-	-	210,375	210,375
Derivatives – net	-	8	-	8
AVC investments	-	2,697	52	2,749
Cash	23,781	-	-	23,781
Other investment balances - net	4,980	-	-	4,980
	744,428	459,395	733,847	1,937,670

Universities Section	Level 1 £000	Level 2 £000	Level 3 £000	Total 2021 £000
Equities	39,001	-	-	39,001
Pooled investment vehicles	-	126,067	-	126,067
Cash and accrued income	709	-	-	709
	39,710	126,067	-	165,777

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Principal Section	Level 1	Level 2	Level 3	Total 2020
	£000	£000	£000	£000
Equities	642,635	-	-	642,635
Bonds	-	184,087	-	184,087
Pooled investment vehicles	-	301,095	392,693	693,788
Property	-	-	177,890	177,890
Derivatives – net	-	(4)	-	(4)
AVC investments	-	2,624	52	2,676
Cash	24,214	-	-	24,214
Other investment balances - net	7,467	-	-	7,467
	674,316	487,802	570,635	1,732,753

Universities Section	Level 1	Level 2	Level 3	Total 2020
	£000	£000	£000	£000
Equities	32,923	-	-	32,923
Pooled investment vehicles	-	109,516	-	109,516
Cash and accrued income	643	-	-	643
	33,566	109,516	-	143,082

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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 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

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Unit linked insurance policies	185,881	-	185,881	187,409	-	187,409
Property unit trusts	218,107	-	218,107	200,526	-	200,526
Limited partnerships	305,313	-	305,313	192,167	-	192,167
Open ended funds	12,595	126,067	138,662	32,200	109,516	141,716
Cayman exempted fund	85,635	-	85,635	81,486	-	81,486
	807,531	126,067	933,598	693,788	109,516	803,304

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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	
2021	£'000	%	£'000	%	£'000	%	£'000	%
RLAM Main Section Segregated Bond Portfolio	166,710	96.6	4,488	2.6	1,381	0.8	172,579	100.0

Source of credit risk	Investment Grade		Non-Investment Grade		Unrated		Total	
2020	£'000	%	£'000	%	£'000	%	£'000	%
RLAM Main Section Segregated Bond Portfolio	173,042	94.0	3,866	2.1	7,179	3.9	184,087	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:

Principal 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)	132,594	123,912	6.3
RLAM Index-Linked Gilts (direct, segregated)	51,493	48,667	2.5
RLAM Sterling Extra Yield Bonds (indirect, pooled)	5,651	6,020	0.3
RLCM Cash Plus Fund (indirect, pooled)	26,549	6,575	0.3

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)	33,432	35,958	21.4
RLAM Index Linked Bonds (indirect, pooled)	76,084	90,109	53.7

The corporate bond allocations in the Principal 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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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:

Principal Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposure (£'000)	Total non-sterling exposure at 2021 (£'000)	Total non-sterling exposure at 2020 (£'000)
Segregated equities	207,113	26,642	28,593	154,064	416,412	384,498

Universities Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposure (£'000)	Total non-sterling exposure at 2021 (£'000)	Total non-sterling exposure at 2020 (£'000)
Segregated equities	26,905	3,441	2,180	4,063	36,589	31,015

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Principal Section

Source of currency risk	USD exposure (£'000)	EUR exposure (£'000)	JPY exposure (£'000)	Other exposure (£'000)	Total non-sterling exposure at 2021 (£'000)	Total non-sterling exposure at 2020 (£'000)
Pooled equities	21,077	1,037	-	63,521	85,635	80,328
Pooled private equity/debt/infrastructure	58,426	63,427	-	29,052	150,905	98,482
Total					236,540	178,810

(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:

Principal 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)	132,594	123,912	6.3
RLAM Index-Linked Gilts (segregated)	51,493	48,667	2.5
RLAM Sterling Extra Yield Bonds (pooled)	5,651	6,020	0.3
RLCM Cash Plus Fund (pooled)	26,549	6,575	0.3

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)	33,432	35,958	21.4
RLAM UK Corporate Bonds (pooled)	76,084	90,109	53.7

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

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.

Principal 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	642,635	715,667	36.5
Equity pooled fund investments	268,894	271,516	13.9
Property segregated investments	177,890	210,375	10.7
Property pooled fund investments	200,526	218,108	11.1
Infrastructure pooled fund investments	57,960	62,859	3.2
Private equity pooled fund investments	111,251	185,095	9.4
Private debt pooled fund investments (indirect)	22,957	57,358	2.9

The Universities Section is invested in UK government and corporate bonds via pooled investment vehicles and global equities therefore there is direct other price risk with respect to the global equities of £39.0m (2020: £32.9m).

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.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 CURRENT ASSETS

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Cash balance	19,988	538	20,526	13,545	491	14,036
Contributions due						
- from employers	603	1,631	2,234	1,208	1,590	2,798
- in respect of employees	247	102	349	535	108	643
Pensions paid in advance	3,110	-	3,110	3,077	-	3,077
Other debtors	325	-	325	306	-	306
	24,273	2,271	26,544	18,671	2,189	20,860

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.

14 CURRENT LIABILITIES

	Principal Section 2021	Universities Section 2021	Total 2021	Principal Section 2020	Universities Section 2020	Total 2020
	£000	£000	£000	£000	£000	£000
Unpaid benefits	170	-	170	114	-	114
Due to employer*	-	-	-	6,176	-	6,176
Accrued expenses	2,243	121	2,364	2,313	110	2,423
VAT payable	177	-	177	142	-	142
Other creditors**	21	109	130	-	91	91
	2,611	230	2,841	8,745	201	8,946

* Amounts due to the employer in the prior year are in respect of pensions payroll for November and December 2020.

** Other creditors in the Universities Section are amounts due to the Principal Section in relation to benefits paid by the Principal 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 2021 four active members and three pensioner members served as Trustee Directors.

During the year, the Scheme paid £2,364 (2020: £3,319) of Trustee Director expenses for replacement equipment. This amount is included within Trustee fees and expenses in Note 8, on page 40.

In addition, each pensioner Trustee Director is paid an allowance per meeting attended of £750 per meeting by the Scheme. Furthermore, the Scheme pays an attendance allowance of £1,250 per meeting for Mr Ballantine and £750 per meeting attended to Mr Cooke and Mr Morgan as co-opted members of the Investment Subcommittee. The Chairman receives remuneration from UKRI which is reimbursed by the Scheme on receipt of a quarterly invoice.

At the year end there were £2,250 (2020: £nil) Trustee fees outstanding.

These amounts are included within the Trustee fees and expenses in Note 8, on page 40.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other related parties - Employer

MRC, as part of UKRI, have re-charged the Scheme for administration and processing fees of £142,187 (2020: £134,526). These amounts are included within the administration expenses in Note 8, on page 40.

Other than as disclosed elsewhere in these financial statements there were no other related party transactions during the year ended 31 December 2020 and 2021.

There were no employer-related investments held at the year end (2020: none).

16 TRANSFERS BETWEEN SECTIONS

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

17 CAPITAL COMMITMENTS

The Scheme had the following capital commitments at 31 December 2021:

Fund	CCY	Total Commitment	Outstanding Commitment 2021	Outstanding Commitment 2020
		'000	'000	'000
Hg Capital 8 C LP private equity	GBP	15,000	5,120	6,228
Hg Capital 9 C LP private equity	EUR	17,800	8,946	-
HgCapital Mercury 2 A LP private equity	GBP	7,500	1,683	3,040
HgCapital Mercury 3 A LP private equity	EUR	17,800	16,098	-
Hg Saturn A LP private equity	GBP	10,000	2,143	2,965
Infracapital Fund II infrastructure	GBP	60,000	4,517	5,710
Infracapital Greenfields	GBP	30,000	8,792	12,421
Infracapital Fund III infrastructure	GBP	25,000	4,628	7,597
Partners Group Value 2011 private equity	EUR	12,000	1,677	1,677
Partners Group Infra 2015 infrastructure	USD	31,000	6,824	12,279
Partners Group Value 2017 private equity	EUR	56,600	27,760	35,002
Ares Capital Europe IV (G) Levered	GBP	30,000	5,009	8,395
Ares Capital Europe V (G) Levered	GBP	90,000	61,968	90,000
Warburg Pincus Global Growth E	USD	63,200	9,354	34,634

18 SUBSEQUENT EVENTS

UKRI paid £4.0m in March 2022 to the Universities Section and will continue to pay amounts quarterly, to meet the requirement of the Schedule of Contributions certified by the Actuary on 16 December 2020.

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 £5m in the 2019 actuarial valuation.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2021 (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 setting out how the policies described in the Scheme's Statement of Investment Principles (the 'SIP') have been implemented. This statement, prepared by the Trustee on behalf of the Scheme, covers the period from 1 January 2021 to 31 December 2021.

Summary of Statement of Investment Principles updates over the period

There were no material amendments made to the SIP during the Reporting Period. The SIP was last reviewed in June 2020. 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:

<http://www.mrcps.co.uk/docs/scheme-documents/MRC-Pension-Scheme-combined-SIP-September-2020.pdf>

Investment Objective

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries
- To achieve long-term growth sufficient to provide the benefits from the Scheme.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.

To achieve these objectives, the Trustee has invested assets in a diversified manner which are expected to grow over the long-term to meet the Scheme's liabilities.

Trading costs

The Trustee receives information on any trading costs incurred as part of asset transfer work, as and when these occur. The exercise is only undertaken if the expected benefits outweigh the expected costs.

Stewardship

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments in order to maximise financial returns 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.

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.

The Trustee is due to receive more in-depth ESG analysis as part of its manager monitoring report and in-line with upcoming regulatory requirements.

How has the engagement policy been followed?

The Trustee's ability to influence investment managers' voting and stewardship activities will depend on the nature of the investments held. The use of voting rights is most likely to be financially material in the sections of the portfolios where listed equities are held. This encompasses Baillie Gifford Global Alpha Growth strategy, First Sentier Asia Pacific Select Strategy, Invesco Global Equity Income Strategy, Liontrust UK Equity, Morgan Stanley Offshore Emerging Markets Equity Fund and the State Street passive equity funds.

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2021 (forming part of the Trustee's Report) (CONTINUED)

The Scheme's listed equity holdings in Baillie Gifford, Invesco, First Sentier, Liontrust and in the State Street FTSE All Share Ex Tobacco Fund are held through segregated accounts. The Trustee has the option to engage further with these managers to tailor their portfolio to their engagement beliefs. The Trustee delegates voting and engagement to the managers, finding the managers' portfolio engagement arrangements to be satisfactory to date.

The Scheme's remaining listed equity investments are made via pooled funds, where the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, and the Trustee's ability to influence voting activities undertaken is limited. However, the Trustee does take non-financially material information (such as stewardship) into account in selecting, monitoring and retaining its investment managers.

Summary of voting over the period

Over the period, voting activities by Baillie Gifford, Invesco, First Sentier, Liontrust, Morgan Stanley and State Street were undertaken with due consideration to investors' best interests considered on a fund-wide basis and in accordance with the voting procedures set out in each manager's voting policy. The Trustee is not aware of any material departures from the managers' stated voting policies. Given the nature of these mandates and the fact that voting activities were 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 managers mentioned above 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 following table: the information is sourced directly from the managers unless otherwise stated.

Holding	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	% of resolutions voted contrary to the recommendations of the proxy adviser
Baillie Gifford Global Alpha Growth	1,323	95.7	2.0	N/A – Baillie Gifford conduct voting in-house and without the use of a proxy adviser
First Sentier Asia Pacific Select Strategy	560	100	2.7	7.7
Invesco Global Equity Income Strategy	704	100	6.3	5.8
Liontrust UK Equity	960	99.8	3.3	0.5
Morgan Stanley Offshore Emerging Markets Equity Fund	1,055	100	3.7	6.0
State Street FTSE All Share Ex Tobacco	10,618	100	7.7	7.4
State Street North America (100% Hedged) ESG Screened Index Equity Sub-Fund	7,881	99.5	9.8	10.0
State Street Europe ex UK (100% Hedged) ESG Screened Index Equity Sub-Fund	8,804	99.6	10.2	5.8

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2021 (forming part of the Trustee's Report) (CONTINUED)

Significant votes

Each manager has provided their own definition of what they consider to be a significant vote on the behalf of Trustee. These definitions and an example of a significant vote are shown below:

Baillie Gifford

"The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where we have opposed mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives"

First Sentier

"Most significant votes usually refer to those votes with specific subject matter and/or fair size of holding involved".

Invesco

"As part of the firm's Shareholder Rights Directive II implementation, the criteria defined by Invesco for a vote to be considered 'significant' is based on the following: (i) materiality of the position, (ii) the content of the resolution and (iii) inclusion on Invesco's ESG watchlist".

Liontrust

"Liontrust defines a 'significant vote' by the:

Size of holding: where Liontrust funds hold more than 5% of a company's market capitalisation; and/or where Liontrust funds:

- Vote against a company's remunerations policy;
- Vote on a Merger or Acquisition;
- Vote on a contentious issue identified by the Governance & Stewardship team; and
- Vote against management on a shareholder proposal".

Morgan Stanley

"Votes against management or support of shareholder resolutions are potentially significant."

State Street

"State Street Global Advisors identifies "significant votes" for the purposes of Shareholder Rights Directive II as follows:

- All votes on environmental related shareholder proposals.
- All votes on compensation proposals where we voted against the company management's recommendation.
- All against votes on the re-election of board members due to poor ESG performance of their companies (as measured by their R-Factor ESG score).
- All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies (as measured by their R-Factor CorpGov score).
- All against votes on the re-election of board members due to a lack of gender diversity on board."

MRC PENSION SCHEME

YEAR ENDED 31 DECEMBER 2021

IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2021 (forming part of the Trustee's Report) (CONTINUED)

Significant vote example

The following tables provide a significant vote example for each relevant manager, with wording sourced directly from the managers. In practice, the managers vote on a wider range of topics than the examples listed below.

	Baillie Gifford	First Sentier	Invesco
Company name	Booking Holdings Inc.	AAC Technologies	Melrose Industrials Plc
Date of Vote	03/06/2021	06/05/2021	27/04/2021
Summary of the resolution	Shareholder Resolution – Climate	Elect Ingrid WU Chunyuan	Approve disposal of Nortek Air Management
Manager's vote	For	Against	For
Outcome of the vote	Pass	Pass	Pass
Rationale for the voting decision	Supported a shareholder resolution requesting a climate transition report as we believe better disclosure is in shareholders' best interests	Poor attendance	Support is in shareholders' interests

	Liontrust	Morgan Stanley	State Street
Company name	RWS Holdings Plc	Nike, Inc	BP Plc
Date of Vote	10/02/2021	06/10/2021	12/05/2021
Summary of the resolution	Approve Remuneration Report	Report on Human Rights Impact Assessment	Shareholder Resolution – Environment Proposal
Manager's vote	Against	For	Against
Outcome of the vote	Pass	Did not pass	Did not pass
Rationale for the voting decision	Elected to vote against this resolution, as the CFO received a significant salary increase during the year under review which was not accompanied with a compelling rationale in the annual report; The profit targets under the annual bonus were not met. However, the Remuneration Committee exercised discretion and granted bonuses to the executives to recognise their work on the recent acquisitions. The specific targets under the annual bonus and the LTI are not disclosed in the annual report, which impedes analysis on whether targets are sufficiently stretching.	Morgan Stanley Investment Management is supportive of additional disclosure on this issue	This proposal does not merit support as the company's disclosure and/or practices related to GHG emissions are reasonable.

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021

ACTUARIAL CERTIFICATES

Principal Section

Name of Scheme: MRC 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.

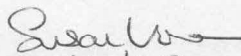
Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles agreed by the trustees on 19 November 2020.

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 scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:

Date:


16/12/20

Name:

Qualification:

Sue Vivian
Fellow of the Institute of Actuaries

Name of Employer:

Address:

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

MRC PENSION SCHEME
YEAR ENDED 31 DECEMBER 2021

ACTUARIAL CERTIFICATES

Universities Section

Name of Scheme: MRC Pension Scheme : University 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.

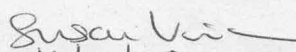
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