



# Trustees' annual report 2018

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# Welcome to the

I am pleased to be able to send you this summarised report for 2018, which sets out the salient details on the Scheme's position for the year ending 31st December 2017. This has been a busy year for the Scheme with three projects adding to the more routine annual workload.

Firstly, significant preparatory work was undertaken – mainly legal in nature – to ensure the smooth transition of the role of Principal Sponsoring Employer from MRC to UKRI.

Secondly, an actuarial valuation was completed, which disclosed that the Scheme is still in surplus. That means that as at the date of the valuation, 31st December 2016, the assets of the Scheme exceeded the value of its obligations to pay benefits accrued up to that date. An interim approximate check one year later, that is as at 31st December 2017, indicated that the Scheme remains in surplus. The 2016 valuation also indicated a need for a small increase to future

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contributions to fund benefits to be accrued from future service. That increase, 1% of pensionable salaries, has been paid to the Scheme by the employers with effect from April 2018.

Thirdly, in line with the normal disciplines of management of the Scheme's investments, the Trustees have monitored the Scheme's investments to ensure that the assets held conform with specific allocations to types of investment across global markets, that appointed investment managers (with a range of investment specialties) meet the performance targets set for them, and that there is a flow of income for paying members' benefits.

Recognising those criteria, the Trustees decided to re-arrange part of the Scheme's investments, changing two of the managers who look after part of the equity portfolio, a decision implemented in February of this year.

I am pleased at the progress made this year and how all of the work required in a very demanding year has been completed, a reflection of the energy and dedication of the internal team as well as of our outside professional advisers and service providers.

In particular, I am very grateful for the thoughtful input received from my colleagues who serve on the Board of Trustees and from the Director of Group Pensions Jim Clerkin, not least for the manner in which they take on their considerable responsibility, and for the care and diligence with which they discharge their duties.

The full set of audited accounts can be found along with other key documents at [www.mrcps.co.uk](http://www.mrcps.co.uk) using access code 672785.

**William Rayner**  
**Chairman of Board of Trustees**

# Financial highlights

This page gives a summary of the financial information contained in the full Report & Accounts, which have been audited by our independent auditor, PriceWaterhouseCoopers LLP. The audit opinion on the accounts was unqualified — which means that the auditor believes the accounts give a true and fair reflection of the Scheme's financial status and activity.

You can see the latest full Report & Accounts on the website at [www.mrcps.co.uk](http://www.mrcps.co.uk) using scheme identification code 672785 — or you can request a copy from JLT Employee Benefits.

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The Scheme had more than  
10,000 members and assets of  
over £1.602 billion  
as at 31 December 2017

<b>MONEY IN</b>	<b>£'000</b>
Contributions	31,413
Transfers in	0
Other Income	0
Income from investments	43,879
<b>Total</b>	<b>75,292</b>

<b>MONEY OUT</b>	
Payment of benefits	39,428
Refunds and Transfers out	738
Administration costs	2,057
Investment Management Fees	6,823
<b>Total</b>	<b>49,046</b>

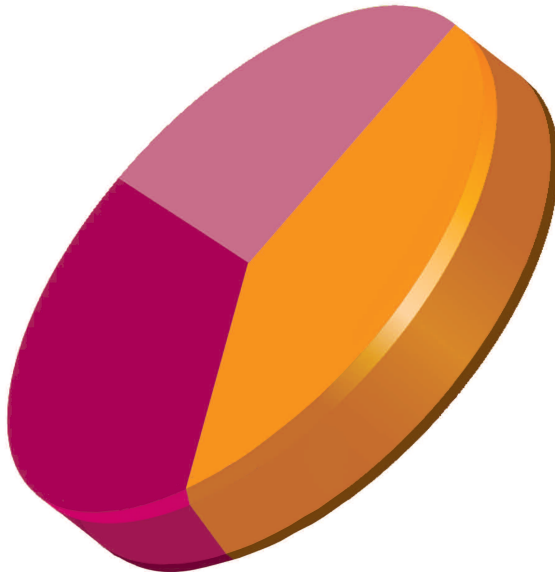
<b>Fund Value at 31 December 2016</b>	<b>1,408,025</b>
Money in less money out	26,246
Change in value of investments	168,302
<b>Fund Value at 31 December 2017</b>	<b>1,602,573</b>

# Who is in the Scheme?

3,002 Pensioner members

4,804 Deferred members

2,496 Active members



## Pension increases

The government uses the Consumer Prices Index (CPI) in place of the Retail Prices Index (RPI) as the inflation reference for calculating statutory increases to pension schemes. The increase awarded to pensioners this year was 3%.

# Investment update

The Trustee Board is responsible for setting and managing the Scheme's investment strategy. An Investment Subcommittee and specialist advisers help the Trustees in this complex area.

The Scheme's assets are split across a wide variety of different fund managers and investment types, including company shares, property, government bonds and corporate bonds. Although the value of these investments can be affected by instability in the financial markets, having this spread of global investments does help to smooth out some of the volatility in returns and reduce concentration risk.

The current investment managers are listed on page 15. Each manager is set a performance target or benchmark, against which performance is measured. This helps in monitoring performance and identifying those who are doing a good job and those doing less well.

## Investment strategy

The Trustee's long-term objective is to achieve an investment return of at least 2.2% above the rate of price inflation. In order to achieve this, the strategy is to invest mainly in return seeking assets such as equities and property, but also spreading some of the risk through investment in bonds and alternative asset classes, including infrastructure and private equity.

## How did the investments perform?

The following chart shows the overall performance of the Scheme's assets against the total Scheme benchmark over the one, three, five and ten year periods to 31 December 2017.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
Fund	15.5%	12.3%	12.0%	7.4%
Benchmark	12.8%	10.4%	10.8%	6.8%

# Where are the Scheme's assets invested?



The total value of the Scheme's assets on 31 December 2017 was over £1.602 billion. The chart below shows how the assets were invested:

Asset class holding	(%)
UK Fixed Interest	3.8
Index Linked Securities	3.6
UK Equities	11.2
Overseas Equities	18.5
Property (Direct)	11.7
Cash and other	2.1
Pooled investment vehicles	(%)
UK Equity	9.5
Overseas Equity	20.6
UK Fixed Interest	4.2
Private Equity	2.5
Property	10.1
Infrastructure	2.2

# In focus

## UK Research and Innovation

The Higher Education and Research Act 2017 paved the way for the creation of UK Research and Innovation (UKRI), with effect from April 2018. MRC is now part of this new consolidated research body, along with the other six research councils, Research England and Innovate UK.

Although MRC will continue to operate much as before within UKRI, with a significant degree of control over its funding and research programme, it has ceased to be an employing body and its Royal Charter is expected to be revoked later this year. With the express approval of the Department for Business, Energy and Industrial Strategy (BEIS), UKRI assumed MRC's role as Principal Sponsoring Employer with effect from 1 April 2018.

## Public Service Pension Reform

The MRC Pension Scheme, as a public service pension arrangement, is required by BEIS and HM Treasury to cease providing retirement benefits based on service and final salary and introduce benefits based on

service and career average revalued earnings. This new benefit provision is called CARE.

The CARE arrangement was introduced for new Scheme members with effect from 1 April 2018 and coincided with UKRI replacing MRC as the Principal Sponsoring Employer.

Changes to retirement benefits for active members of the Scheme prior to 1 April 2018 were expected to be introduced from 1 April 2019, at the earliest. This change, however, will be the subject of consultation with members as and when HM Treasury is able to clarify the legal position before implementation can take place. This suggests an implementation date of 2019 is unlikely.

The introduction of CARE does not affect the rights of pensioners or members with deferred pensions that have already left service. Similarly, this change will not affect current active members retrospectively and the link with final salary shall be maintained for pensionable service accrued prior to 1 April 2019, or such later implementation date as is advised by HM Treasury.



## Protecting your personal data

In order to manage the Scheme and pay correct benefits at the right time to members and their dependents, some personal data is required. This data includes name, address, date of birth and National Insurance number. Until recently, the use of this data was regulated under the Data Protection Act 1998, which placed certain responsibilities on those who exercise control over personal data. Data controllers include MRC, UKRI, the Trustees and certain professional advisers including the Government Actuary's Department and JLT as scheme administrator.

Following the introduction of the Data Protection Act 2018 and a new European framework for the protection of personal data called the General Data Protection Regulation, the Trustees and their advisers reviewed how these new requirements affect the way in which data is held and processed. The Trustees have produced a privacy statement and data protection policy, which are available from the member website at [www.mrcps.co.uk](http://www.mrcps.co.uk).

## JLT Employee Benefits

The day to day administration of the Scheme is outsourced by the Trustees to JLT and the team based in Leatherhead in Surrey has been calculating benefits and paying pensions since 2001.

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

## Taxation of pension benefits on retirement

You will have to pay tax if the value of your pension entitlement from all sources exceeds the Lifetime Allowance (LTA) on retirement. The current LTA is £1.03 million and this figure is expected to increase each tax year in line with consumer price inflation.

If you have not done so already, it might be possible to protect your pension pot from previous reductions in the LTA. Further information is available from [www.gov.uk](http://www.gov.uk).

## In focus (continued)

### Taxation of pension contributions

Since April 2016, the annual allowance of £40,000 has been tapered for those with a threshold income greater than £110,000 and an adjusted income of £150,000 or above.

JLT sends out Pension Savings Statements each June, which are based on earnings data provided to the Scheme covering the tax year. This means that if you contribute to other pension arrangements or receive taxable income from other sources, the statement will be incomplete for the purposes of assessing your liability to tax.

It is recommended that you notify JLT and consult with an independent financial adviser if you fall into this category.

### Independent Financial Advice

If you find yourself in need of financial guidance it is recommended that you take advice from an impartial source, where possible.

The website, [www.unbiased.co.uk](http://www.unbiased.co.uk), is a site that enables consumers to connect with financial and legal advisers.

### The Statement of Investment Principles

The Trustees have appointed an Investment Subcommittee, which spends a considerable amount of time monitoring investment performance.

The Statement of Investment Principles (SIP) explains how the Trustees invest the money paid into the Scheme and was updated in March 2018 to reflect the current approach to asset allocation agreed with MRC.

### Member Website

The Scheme website, hosted by JLT, has been revamped and is due to go live on Monday, 1 October 2018.



# MRC Staff Benevolent Fund Association

The Staff Benevolent Fund exists to help current and former MRC staff and their dependents in times of financial crisis.

This is a registered charity funded entirely by voluntary donations.

The charity is run by a committee of management made up of volunteers from MRC staff and pensioners, which meets regularly and holds its AGM in July each year at One Kemble Street.

More details about how this charity operates and how it can be a source of support in times of financial need can be found on its website at: [www.sbfa.mrc.ac.uk](http://www.sbfa.mrc.ac.uk).

# Summary Funding Statement - September 2018

The Trustees provide regular updates on the financial position of the Scheme to help you understand more about how your pension is paid for and to explain the state of the Scheme's finances. This Summary Funding Statement has been prepared following the completion of the annual funding review as at 31 December 2017.

As explained in previous years, there is no need for you to do anything as a result of receiving this Statement. The details it provides are for your information only and should help you to keep track of the financial health of the Scheme from year to year.

## The Scheme's financial position

The estimated cost of providing the benefits that you and other members have built up in the Scheme is known as the Scheme's liabilities. To meet these liabilities members and the employers pay contributions into the Scheme. All contributions are invested in a communal fund, not in separate funds for each individual member, and make up the Scheme's assets.

To check the Scheme's financial position the Trustees ask the Scheme Actuary to compare the value of the

Scheme's liabilities with its assets:

- \* if the value of the Scheme's assets is less than the value of the liabilities, it has a shortfall.
- \* if the value of the Scheme's assets is more than the value of the liabilities there is a surplus.

The Trustees commission an in-depth review of the Scheme's financial position, known as an actuarial valuation, at least once every three years. The most recent valuation was carried out as at 31 December 2016.

The financial position is also reviewed annually between valuations and this statement has been prepared following the completion of the most recent annual review which was carried out as at 31 December 2017. The results of the 2017 annual funding review and the 2016 actuarial valuation are given opposite.

The results show the financial position of the Scheme using assumptions consistent with the Trustees additional funding objective, which aims to protect benefits which have already been accrued in the event of unknown future events. At the 2017 annual funding

review another result was also disclosed under the Scheme's Statutory Funding Objective which showed a surplus of £417 million, which compares to a corresponding surplus of £281 million determined as at the 2016 actuarial valuation.

The 2017 annual funding review continues to show a positive funding position with a higher surplus compared to the 2016 actuarial valuation. This increase in surplus is primarily due to higher than expected investment returns over the year.

As noted in the previous Summary Funding Statement, liabilities associated with university employments are now provided from a separate section created within the Scheme on 1 January 2014. The benefits provided to members are unaffected by the internal arrangement. The assets and liabilities shown above are for the whole scheme. The university employment section comprised

	Review 31/12/17	Review 31/12/16
Assets	£1,601m	£1,406m
Liabilities	£1,313m	£1,245m
Surplus	£288m	£161m
Ongoing Funding Level	122%	113%

around 5% of the total assets and liabilities as at 31 December 2017.

### Legal disclosures

As part of this Summary Funding Statement we are required to say the following:

- The actuary estimated that as at the 2016 valuation date the Scheme's assets would have been sufficient to meet approximately 68% of the full cost of securing members benefits with an insurance company. There is no intention to close down the Scheme, but we are required to let you know the financial position as at the last valuation date if this were to happen.
- There have not been any payments to any employer out of Scheme funds in the previous twelve months.
- The Scheme has not been modified under section 231(2)(a) of the Pensions Act 2004, or subjected to a direction under section 231(2)(b) of that Act, or bound by a schedule of contributions imposed under section 231(2)(c) of that Act.
- Detailed documents which provide further information are available from the member website at [www.mrcps.co.uk](http://www.mrcps.co.uk) (using access code 672785).

# Trustees

There are nine Trustee Directors ('Trustees') of MRC Pension Trust Ltd. Five of the Trustees are appointed by the Principal Sponsoring Employer, including the Chairman. The other four Trustees are nominated by the members of the Scheme and are known as Member Nominated Trustees (MNTs).

Professor Kelvin Cain was recently re-elected as an MNT to serve a second four year term.

There will be another opportunity to stand as a Member Nominated Trustee in 2019.

Hugh Dunlop replaced Professor James Leiper as a Management Trustee.

Grant Ballantine serves as a co-opted member of the Investment Subcommittee.

## TRUSTEE DIRECTORS

William Rayner<sup>†</sup> (Chairman)

Professor Kelvin Cain PhD<sup>†\*</sup>

Professor Howard Cooke PhD<sup>†\*</sup>

Geoff Der<sup>†\*</sup>

Hugh Dunlop<sup>†</sup> (appointed 1 March 2018)

Rebecca Leigh

James Leiper PhD (resigned 31 October 2017)

Peter Morgan PhD<sup>†\*</sup>

Kevin Moreton PhD

Carole Walker

\* Member Nominated Trustee

† Member of Investment Subcommittee

## SECRETARY TO THE TRUSTEE

Jim Clerkin FPMI, FCII, Dip IEB

# Advisers

We appoint professional advisers to help in the day-to-day running of the Scheme:

<b>Actuary</b>	Sue Vivian FIA, Government Actuary's Department
<b>Administrator</b>	JLT Employee Benefits
<b>Auditors</b>	PriceWaterhouseCoopers LLP
<b>Investment Consultant</b>	Buck (previously known as Conduent)
<b>Investment Managers</b>	
	Ares Management
	Aviva Investors Jersey
	Baillie Gifford
	BlackRock
	First State
	GAM Fund Management
	HgCapital
	Infracapital
	Invesco Asset Management
	Legal & General
	Liontrust Investment Partners
	M&G Guernsey
	Morgan Stanley
	Partners Group
	Royal London
	TH Real Estate
<b>Bankers</b>	Royal Bank of Scotland
<b>Custodians</b>	State Street Bank & Trust Company
<b>Solicitors</b>	DLA Piper UK LLP

# Contacts

If you have any questions about the contents of this report, or would like more information, please contact us.

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

MRC Pension Scheme  
JLT Employee Benefits  
Leatherhead House  
Station Road  
Leatherhead  
Surrey KT22 7ET  
Phone: 01372 200275  
Email: [mrc\\_pensions@jltgroup.com](mailto:mrc_pensions@jltgroup.com)

MRC Pension Trust Limited  
One Kemble Street  
London WC2B 4AN  
Phone: 020 7395 2289  
Email: [james.clerkin@mrc.ukri.org](mailto:james.clerkin@mrc.ukri.org)  
Website: [www.mrcps.co.uk](http://www.mrcps.co.uk) (access code 672785)