

# THE WELLCOME TRUST PENSION PLAN

## TRUSTEE'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE AND ADVISERS

#### Principal Employer

The Wellcome Trust Limited  
Wellcome Trust  
Gibbs Building  
215 Euston Road  
London NW1 2BE

#### Corporate Trustee

Wellcome Trust Pensions Trustee Limited

#### Trustee Directors

Vivien Cockerill (Chair – Independent Trustee)  
Alan Brown (Employer Nominated, resigned 30 April 2019)  
Elaina Elzinga (Employer Nominated)  
Richard Everett (Member Nominated)  
Sarah Fromson (Employer Nominated)  
Sean Thistleton (Member Nominated)

#### Plan Actuary

Charles Cowling FIA  
Mercer Limited (formerly JLT Benefit Solutions Limited)

#### Plan Administrators and Consultants

Mercer Limited (formerly JLT Benefit Solutions Limited)

#### Independent Auditor

Deloitte LLP

#### Investment Manager

Legal & General Assurance (Pensions Management) Limited

#### DC Investment Manager

Standard Life Assurance Limited

#### Annuity Providers

Standard Life Assurance Limited  
Phoenix Life Assurance Limited  
Aviva plc  
The Prudential Assurance Company

#### AVC Providers

Standard Life Assurance Limited  
AEGON

#### Bankers

The Royal Bank of Scotland plc

#### Legal Advisers

CMS Cameron McKenna LLP

#### Address for enquiries

Trustee of the Wellcome Trust Pension Plan  
c/o Mercer Limited  
Post Handling Centre  
St James's Tower  
7 Charlotte Street  
Manchester M1 4DZ

Email: [raymonde.nathan@mercer.com](mailto:raymonde.nathan@mercer.com)

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE'S REPORT

The Trustee of The Wellcome Trust Pension Plan ("the Plan") is pleased to present the Trustee's Report and audited financial statements for the year ended 31 December 2019. 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 (i.e. the Audited Accounts Regulations).

The report sets out how the Plan is run, how the assets are invested, and the financial activity of the Plan in the year ended 31 December 2019.

#### **Constitution of the Plan**

The Plan was established on 1 June 1980 to provide benefits on a defined benefit basis for the employees of The Wellcome Trust Limited and any other associated employers admitted to the Plan.

The Plan is operated in accordance with the Fourth Definitive Trust Deed and Rules dated 3 December 2019 and subsequent amending deeds.

The Plan is a Registered Pension Scheme under the Finance Act 2004.

The assets of the Plan are held by the Trustee and they are entirely separate from the Principal Employer.

#### **Changes to the Plan**

The Fourth Trust Deed and Rules dated 3 December 2019 made the following amendments;

- removal of the age 75 limit for taking benefits.
- amending the definition of "children" so that the upper limit is age 23 (as opposed to 25) in line with tax legislation.

#### **Appointment and Removal of Trustees/Trustee Directors**

The Trustee of the Plan is Wellcome Trust Pensions Trustee Limited.

The Trustee Directors who served during the Plan year are listed on page 1, along with the changes since the last report.

At least one third of the Trustee Directors are nominated by Plan members. These member nominated Trustee Directors are elected from the membership of the Plan and cease to be eligible as Trustee Directors on leaving employment/ceasing to be members of the Plan. Employer nominated Trustee Directors can serve until removed by the Employer. Member nominated Trustee Directors can serve a maximum term of five years, after which they must stand down and may stand for re-election.

A Guide for Pension Scheme Trustees issued by The Pensions Regulator has been made available to all Trustee Directors. Members may obtain a copy from the Trustee at the address shown for enquiries on page 1.

During the year the Trustee Directors met six times. During the year, the Trustee Directors training took place on 5 December 2019 on Currency Concepts, Planning your DB Journey and Trust Deed and Rules – the Key Concepts.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE'S REPORT (CONTINUED)

#### Financial development of the Plan

The Fund Account on page 22 shows that the net additions arising from dealings with members for the year were £5,922,241 (2018: £6,738,060). The net return on the Plan's investments for the year was a gain of £64,870,338 (2018: loss of £17,464,941). The total net movement in the Plan's assets for the year was an increase of £70,792,579 (2018: decrease of £10,726,881), giving net assets of the Plan at the year end of £343,686,501 (2018: £272,893,922).

Further details of the financial developments of the Plan may be found in the audited financial statements on pages 22 to 33.

#### Membership

Details of the membership of the Plan as at 31 December 2019 are given below:

##### ACTIVE MEMBERS

Opening balance	421
Adjustments	(4)
Retirements	(2)
Leavers with deferred benefits	(40)
Deaths	(1)

##### ACTIVE MEMBERS AT THE END OF THE YEAR

**374**

##### MEMBERS WITH DEFERRED BENEFITS

Opening balance	996
Adjustments	(1)
Leavers during the year with deferred benefits	40
Retirements	(15)
Transfers out	(1)

##### MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR

**1,019**

##### PENSIONERS

Opening balance	258
Adjustments	3
Pensions commencing	17
New dependants	1
Deaths	(4)

##### PENSIONERS AT THE END OF THE YEAR

**275**

##### TOTAL MEMBERSHIP

**1,668**

Pensioners include individuals receiving a pension upon the death of their spouse.

Included within pensioners are 23 (2018: 23) pensioners whose pensions are paid from annuities held in the name of the Trustee.

Adjustments are members whose status has been changed where the change relates to a previous year.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### **Actuarial Review**

The financial statements set out on pages 22 to 33 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Plan, these liabilities are considered by the Plan Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Plan and the level of contributions payable.

The most recent triennial valuation was carried out at 31 December 2016. The valuation as at 31 December 2019 is currently in progress.

The formal actuarial certificate required by statute to be included in this Annual Report from the Plan Actuary appears on page 38. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on pages 34 and 35, which forms part of the Trustee's Report.

### **Contributions**

Contributions have been paid to the Plan in accordance with the Schedule of Contributions in force which was certified by the Plan Actuary on 12 December 2017. A copy of the Schedule of Contributions is included on pages 36 to 38 of this report.

In accordance with the Schedule of Contributions certified on 12 December 2017 annual deficit funding contributions of £4.6m are payable by each 31 December from 1 January 2017 to 31 December 2021.

A salary sacrifice arrangement has been in place since 1 October 2012. Salary sacrifice is a system whereby a member takes a reduction in pay equal to the pension contribution that would have been deducted and the Employer then makes a contribution of an equivalent amount.

### **Additional Voluntary Contributions (AVCs)**

The Plan has AVC arrangements with Standard Life Assurance Limited ("Standard Life") and AEGON which is a brand name of Scottish Equitable plc ("AEGON Scottish Equitable").

Members are able to make additional voluntary contributions into the Plan. Further detail is given in note 12.7 to the financial statements.

### **Pension Increases**

All pensions in payment are increased annually with effect from 1 April and are subject to increases in accordance with the Trust Deed and Rules, and may be further increased at the discretion of the Trustee with the consent of the Employer.

Any part of the pension which relates to Pensionable Service accrued prior to 1 April 1997 was increased by 3%. Any part of the pension which relates to Pensionable Service accrued between 1 April 1997 and 31 March 2001 was increased by 3% (being based on a minimum of 3% or the increase in the preceding January Retail Price Index, if higher, to a maximum of 5%). Any part of the pension which relates to Pensionable Service accrued on or after 1 April 2001 was increased by 2.5% (being based on the preceding January Retail Price Index, to a maximum of 5%). Pensions for members of the Management Section of the Plan received an increase of 2.5% on all pension elements (being based on the preceding January Retail Price Index, to a maximum of 5%).

No additional discretionary increases were granted during the year ended 31 December 2019.

Deferred pension benefits in excess of the Guaranteed Minimum Pension are increased by a fixed rate of 5% per annum for benefits relating to Pensionable Service accrued prior to 1 April 2003. For Pensionable Service accrued on or after 1 April 2003 benefits are increased by the preceding September Retail Prices Index, to a maximum of 5%.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE'S REPORT (CONTINUED)

#### Transfer Values

All transfer values are calculated in accordance with the requirements of The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 using assumptions determined by the Trustee on advice provided by the Plan Actuary.

No discretionary benefits or increases in benefits are included in the calculation of transfer values.

#### GMP Equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and are considering the matter together with the Employer and appropriate advisors. It is not possible to estimate the value of any such adjustments at this time.

#### Investment Management

The day-to-day management of the Plan's investments has been delegated by the Trustee to the investment manager, Legal & General Assurance (Pensions Management) Limited ("Legal & General"), and their report appears on page 17.

The remuneration of Legal & General is assessed on a quarterly basis at the following rates per annum on the market value of the Plan's assets under management in each pooled investment fund at the end of every quarter.

Investment Funds	Charge per annum %
World Emerging Markets Equity Index Fund	0.18
World Developed (ex Tobacco) Equity Index Fund – GBP Hedged	0.095

A Statement of Investment Principles has been produced as required by Section 35 of the Pensions Act 1995, and is included in Appendix 1 of the financial statements.

The investment strategy of the Plan, adopted and regularly reviewed in consultation with the Wellcome Trust, is to be 100% in passive equities with an approximate allocation of 70% to developed markets and 30% to emerging markets.

Upon review by the Investment Sub-Committee and in consultation with the Wellcome Trust, the Trustee has developed and implemented a framework to switch assets in the Global Developed Market equities between currency hedged and unhedged share classes of the same fund.

The securities underlying the units held in the pooled investment vehicles are held and recorded by custodians appointed by the investment manager. The investments are held in designated nominee accounts. The Trustee has implemented mandates ensuring that the rights attaching to Plan investments are acted upon.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. As such, it cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. However, the Trustee also understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. These include, but are not limited to, environmental, social and governance (ESG) factors.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE'S REPORT (CONTINUED)

#### **Investment Management (Continued)**

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Plan's investments and, therefore, it is in the members' and Plan's best interests that such factors are taken into account in the investment process. Consequently, the Trustee will work with its investment consultant to help select investment managers that have an appropriate rating for ESG factors. The Trustee will review available products and approaches to ESG factors and strive for the Plan to continue to deliver strong risk adjusted returns, incorporating responsible investment principles into the process where possible.

The Trustee has received a copy of the investment manager's published corporate governance policy that explains the manager's approach to socially responsible investment and investment rights. The Trustee is satisfied with the policies as described in these documents.

The Trustee had concerns over the fact that tobacco companies currently make up approximately 1.4% of the FTSE Developed Markets Fund. By investing the Plan's developed market equities in a fund that excludes tobacco companies, the Trustee is pursuing a policy that is consistent with the Wellcome Trust's endowment portfolio, which does not invest directly in tobacco companies, as well as Wellcome's mission to improve human and animal health globally.

Apart from the concerns over tobacco companies noted above, which are not expected to have a material financial impact, the Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Other non-financial considerations are not implemented in the current investment strategy.

The Trustee believes that widespread adoption of good corporate governance practice will improve the quality of management and, as a consequence, is likely to increase the returns available to long term investors.

The Trustee has undertaken to apply the seven principles of the UK Stewardship Code, given their responsibilities as asset owner. A copy of the Plan's Stewardship Code statement is appended to the SIP and is hosted on the FRC's website.

The Trustee has reviewed and accepted the investment manager's Stewardship Code statement.

There were no employer-related investments held during the current or prior year.

#### **Subsequent Event**

Subsequent to the Plan year end there has been the emergence and spread of Covid-19 that is causing disruption and volatility on the financial markets. The Trustee will continue to monitor the developments and the potential impact on the plan investments across the year. Further details of the financial impact on the investment assets of the Plan are detailed in note 20.

The Plan financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has assessed the ability of the sponsoring employer to continue to meet its obligations to the Plan and for the Plan to meet its future obligations to pay member benefits as they fall due. The Trustee has reviewed information available to them from the sponsoring employer and their advisors and as a consequence, the Trustee believes the Plan is well positioned to manage its risks successfully. In light of this the Trustee has a reasonable expectation that the Plan will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Plan financial statements.

#### **Plan Administrators**

On 1 April 2019 Jardine Lloyd Thompson Group plc (JLT) was acquired by Marsh & McLennan Companies (MMC). As a result JLT's employee benefits operations are now part of Mercer Limited, an MMC company.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### TRUSTEE'S REPORT (CONTINUED)

#### Internal Dispute Resolution (IDR) Procedure

The Trustee has adopted a dispute resolution procedure, a copy of which can be provided on request by the Plan Administrator.

#### Further Information

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

Any member with a complaint against the Plan or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can refer the complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, London E14 4PU.

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

The Trustee of the Wellcome Trust Pension Plan care of:

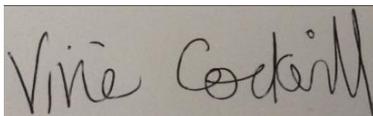
Mr R Nathan FPML  
The Wellcome Trust Pension Plan  
Mercer Limited  
Rosemoor Court  
Pynes Hill  
Exeter EX2 5TU

Email: [raymonde.nathan@mercer.com](mailto:raymonde.nathan@mercer.com)

This report, including the Investment Report and the Members' Information, was approved by the Trustee on

26/06/2020  
.....

and signed on its behalf by:



.....  
Trustee Director



.....  
Trustee Director

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019

#### CHAIR'S ANNUAL STATEMENT REGARDING GOVERNANCE – YEAR TO 31 DECEMBER 2019

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Wellcome Trust Pension Plan (“the Plan”) is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

The Plan is a defined benefit plan which provides additional voluntary contributions (AVCs) on a money purchase basis and from time to time, at the request of the employer with the agreement of the individual member, it grants money purchase benefits on severance which are facilitated via the AVC arrangement, currently with Standard Life. Whilst these money purchase benefits (“DC augmentations”) are invested and treated as AVCs, these benefits are technically regarded as money purchase benefit as defined in Section 181(1) of the Pension Schemes Act 1993.

The DC augmentations derive from contributions relating to 17 members which were made between 2016 and 2018. These money purchase benefits are invested in the AVC arrangement of the Plan. The DC augmentation funds are invested with Standard Life. The arrangement has been segregated by Standard Life as a stand-alone DC section for ease of reporting and to reflect that the contributions are not AVCs.

#### Default Arrangement

Members of the Plan who have money purchase benefits which derive from individual benefit augmentations and who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant.

The default arrangement is the Standard Life At Retirement (Multi Asset Universal) Pension Fund which invests in actively managed underlying funds, which hold a range of different asset classes including equity, bonds, property and cash. The default strategy has the following objectives;

- To have a flexible approach aiming for “stay invested” approach
- To be appropriate for members who are undecided on how to use their savings or who want to take a flexible income
- To achieve moderate growth in a fund with relatively low volatility until such a time as the member is ready to make decisions on how to use their savings

During the period covered by this statement there have been no significant changes to the Plan’s investment strategy as the Trustee believes the arrangement remains suitable for the Plan’s membership. The Trustee last received formal investment advice on the default investment strategy on 11 October 2018. The investment strategy will be reviewed a minimum of every three years or following any significant change to the demographic profile of the Plan’s membership.

The default arrangement is described in further detail in the Plan’s Statement of Investment Principles (SIP) which was last reviewed by the Trustee in July 2019 and a copy of which is attached in Appendix 1 to the financial statements. The SIP will be reviewed a minimum of every three years (i.e. by July 2022) or as soon as any significant developments in investment policy or member demographics take place.

The Trustee monitors the performance of the Plan’s investments throughout the year and receives regular performance reports from their investment manager. We are happy with the performance over the period covered by this statement and we believe the Plan’s investment strategy remains on track to meet our aims and objectives.

The Trustee has set up processes to publish relevant information on the default arrangement online at the following URL: <https://wellcome.ac.uk/what-we-do/reports> and will notify members about this in their annual benefit statements.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019 (CONTINUED)

#### Processing Plan Transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Plan administrator, Mercer (a trading name of JLT Benefit Solutions), and its investment manager, Standard Life Investments. The Trustee periodically reviews the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions and receives regular reports to monitor the performance against those service levels. The processes adopted by the Plan administrator to help meet the SLA include dynamics checklists, a central financial control team separate to the administration team, daily monitoring of bank accounts and four eyes checking of investment and banking transactions. During the period covered by this statement, 98% of work was completed within the agreed service levels. There were no issues relating to the processing of Plan transactions. We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

#### Charges and Transaction Costs – Default Arrangement and Additional Funds

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Transaction costs have been provided by the Plan's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable as well as the transaction costs are as follows:

Default Strategy	TER (% p.a.)	Transaction Cost (% p.a.)
Standard Life At Retirement (Multi Asset Universal) Pension Fund –	0.63	0.220

Source: Standard Life

The TER is lower than the maximum allowed of 0.75% for default arrangements. It is not a requirement to assess transaction costs against this cap.

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## YEAR ENDED 31 DECEMBER 2019

### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019 (CONTINUED)

#### Charges and Transaction Costs – Default Arrangement and Additional Funds (Continued)

The Trustee also makes available a range of funds that may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
SL ASI MyFolio Managed II Pension Fund	0.91	0.197
SL ASI MyFolio Market II Pension Fund	0.62	0.058
SL Vanguard Emerging Markets Stock Index Pension Fund	0.82	-0.023
SL Vanguard FTSE Developed World ex UK Pension Fund	0.62	0.025
SL iShares North American Equity Index Pension Fund	0.62	0.009
Standard Life Annuity Targeting Pension Fund	0.61	0.085
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.63	0.220
Standard Life Deposit and Treasury Pension Fund	0.61	0.100
Standard Life Far East Equity Pension Fund	0.69	0.125
Standard Life International Equity Pension Fund	0.63	0.102
Standard Life Managed Pension Fund	0.63	0.157
Standard Life Money Market Pension Fund	0.61	0.002
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	0.62	0.117
Standard Life Overseas Equity Pension Fund	0.61	0.298
Standard Life Passive Plus II Pension Fund	0.64	-0.007
Standard Life Passive Plus III Pension Fund	0.62	0.033
Standard Life Pre Retirement (MyFolio Managed Universal) Pension	0.91	0.295

Source: Standard Life

The 0.75% fee cap on the TER only applies to the default arrangement (if used as a default for auto-enrolment purposes), hence some of the self-select funds above exceed this amount.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

#### Cumulative Effect of Charges

We have taken account of statutory guidance when preparing this section of the report. The illustrations for the “Youngest” member of the Plan uses the same assumptions as the “Average” member illustrations except for the age assumption, as explained below.

The compounding effect of charges on the Plan members' funds can be illustrated as follows:

THE WELLCOME TRUST PENSION PLAN  
YEAR ENDED 31 DECEMBER 2019

CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION  
GOVERNANCE – YEAR TO 31 DECEMBER 2019 (CONTINUED)

Cumulative Effect of Charges (Continued)

"Average" member illustrations								
	Standard Life At Retirement (Multi Asset Universal) Pension Fund – <i>Default Strategy</i> <i>(the most popular option)</i>		SL Vanguard Emerging Markets Stock Index Pension Fund <i>(highest expected return fund)</i>		Standard Life Money Market Pension Fund <i>(cheapest and lowest expected return fund)</i>		Aegon Socially Responsible Equity Fund <i>(most expensive fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£22,611	£22,424	£23,085	£22,902	£21,815	£21,683	£22,913	£22,566
2	£23,185	£22,802	£24,166	£23,784	£21,581	£21,320	£23,807	£23,092
3	£23,773	£23,186	£25,297	£24,701	£21,350	£20,963	£24,736	£23,630
4	£24,376	£23,577	£26,482	£25,653	£21,121	£20,612	£25,701	£24,181
5	£24,994	£23,975	£27,722	£26,641	£20,894	£20,267	£26,704	£24,745
6	£25,628	£24,379	£29,020	£27,668	£20,670	£19,927	£27,746	£25,322
7 (retirement)	£26,278	£24,790	£30,379	£28,734	£20,448	£19,594	£28,829	£25,912
Total Fees	£1,381		£1,438		£883		£2,602	

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CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION  
GOVERNANCE – YEAR TO 31 DECEMBER 2019 (CONTINUED)

Cumulative Effect of Charges (Continued)

"Youngest" member illustrations								
	Standard Life At Retirement (Multi Asset Universal) Pension Fund – Default Strategy <i>(the most popular option)</i>		SL Vanguard Emerging Markets Stock Index Pension Fund <i>(highest expected return fund)</i>		Standard Life Money Market Pension Fund <i>(cheapest and lowest expected return fund)</i>		Aegon Socially Responsible Equity Fund <i>(most expensive fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£22,611	£22,424	£23,085	£22,902	£21,815	£21,683	£22,913	£22,566
3	£23,773	£23,186	£25,297	£24,701	£21,350	£20,963	£24,736	£23,630
5	£24,994	£23,975	£27,722	£26,641	£20,894	£20,267	£26,704	£24,745
7	£26,278	£24,790	£30,379	£28,734	£20,448	£19,594	£28,829	£25,912
9	£27,629	£25,633	£33,291	£30,992	£20,011	£18,943	£31,123	£27,134
11	£29,048	£26,505	£36,482	£33,427	£19,584	£18,314	£33,599	£28,414
13	£30,540	£27,406	£39,979	£36,052	£19,166	£17,706	£36,273	£29,754
15 (retirement)	£32,109	£28,338	£43,811	£38,885	£18,757	£17,118	£39,159	£31,157
Total Fees	£3,171		£3,622		£1,772		£6,138	

*It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" members' pots at retirement would be £19,517 in today's money.*

**Assumptions**

The above illustrations have been produced for an "average" member of the Plan based on the Plan's membership data. Illustrations have also been done for the "youngest" member of the Plan using the same assumptions as the "average" illustrations but using the age of the Plan's youngest member. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to Plan retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019

#### Cumulative Effect of Charges (Continued)

Age	
<ul style="list-style-type: none"> <li>• “Average” member</li> <li>• “Youngest” member</li> </ul>	<p>58 (<i>the average age of the Plan’s membership</i>)</p> <p>50 (<i>the age of the youngest member of the Plan</i>)</p>
Plan Retirement Age	65
Starting Pot Size	£22,052 ( <i>the median pot size of the Plan’s membership</i> )
Inflation	2.5% p.a.
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> <li>• Standard Life At Retirement (Multi Asset Universal) Pension Fund</li> <li>• SL Vanguard Emerging Markets Stock Index Pension Fund</li> <li>• Standard Life Money Market Pension Fund</li> <li>• Aegon Socially Responsible Equity Fund</li> </ul>	<p>2.6% above inflation</p> <p>4.8% above inflation</p> <p>1.1% below inflation</p> <p>2.6% above inflation</p>

#### Value for Members

The Trustee monitors value for members on an ongoing basis and has a good understanding of the membership demographics of the Plan and what good member outcomes should look like for the Plan’s members in aggregate.

Whether something represents “good value” is not capable of being precisely defined and should be assessed in context with the low level of assets and small number of DC augmentations within the Plan. The Trustee understands that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for members we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.

The investment performance for all the funds in the Plan is reviewed and discussed at least quarterly. The same applies with the efficiency of administration services, which are also discussed quarterly. With this in mind, the Trustee has assessed the fees disclosed above and is satisfied that the stated explicit charges for the Plan’s funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

Bearing all this in mind, the Trustee carried out a formal value for members assessment for the 12-month period covered by this statement. The assessment considered six key areas: governance, design, investment, administration, communications and costs. The assessment concluded that overall, the Plan was meeting or exceeding expectations with regards to value for members across all six of the broad areas considered. The assessment also highlighted areas where the Plan could improve, such as by giving members online access and through more robust governance from Standard Life. The Trustee also noted that the investment charges for the default fund were at the top end relative to the charge cap and this will be considered when an investment strategy review is carried out in 2020.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019

#### Additional Voluntary Contributions (AVCs)

The Trustee also makes available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Plan benefits. The facility is provided via Aegon and below is the available fund together with the associated fee:

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Aegon Socially Responsible Equity Fund	1.56	Not available

Source: Aegon

At the time of producing this Statement, Aegon were unable to provide the transaction costs applicable to the fund above but the Trustee will continue to challenge them to obtain the required information.

#### Trustee's Knowledge and Understanding

We take the Trustee Knowledge and Understanding requirements set out in sections 247 and 248 of the Pensions Act 2004 seriously. The sections set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13 which the Trustee adheres to and is described below.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments. In addition, at each quarterly trustee meeting, Mercer provides a document summarising current issues and legislative updates, so that there is an opportunity to discuss key developments. Furthermore, specific items that may need a decision are drawn out.

At every quarterly Trustee meeting, the issue of training needs is considered. Training is made available to individual Trustee Directors or to the Trustee body as appropriate. Mercer provides regular trustee training, with a detailed training log kept to support the Trustee Directors in complying with the standards set out by the Regulator. Trustee Directors also receive and attend training provided by external parties. In addition, the Trustee conducts an annual review of its effectiveness which includes a review of training and development needs.

New Trustee Directors are required to complete the Pensions Regulator's online training modules within 6 months of being appointed. All new Trustee Directors have induction training with the Plan Consultant.

In December 2019, the Trustee board undertook the following Plan specific training;

- Currency concepts including; purchasing power parity, fair value range for Sterling, view on Sterling and the upside/downside risks by Wellcome Trust Investment division
- Trust Deed and Rules including;
  - balance of powers including practicalities by CMS
  - conflicts of interest by CMS
  - benefit calculations by Mercer

The Trustee updated and consolidated the Plan's Trust Deed and Rules during 2019. As noted above, this led to Trustee Directors receiving Plan specific training from their legal advisers and consultant in December 2019 on the Trust Deed and Rules. Both the consolidation process and the training received enhanced the Trustee Directors' working knowledge of the Trust Deed and Rules. For example, during the consolidation process, there was consideration (and subsequent action) to remove the age 75 limit for benefit withdrawal and clarification of the definition of "Personal Account".

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### CHAIR'S ANNUAL STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE – YEAR TO 31 DECEMBER 2019

#### Trustee's Knowledge and Understanding (Continued)

Further, alongside regular technical updates, a number of policies adopted by the Trustee relating to the administration of the Plan generally are reviewed at regular intervals and therefore the Trustee Directors are familiar with these.

The Trustee Directors are conversant with the Statement of Investment Principles (SIP) and have a good knowledge and understanding of the principles relating to the investment of Plan assets. The SIP was reviewed by the Investment Subcommittee and updated by the Trustee in July 2019.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, as well as the support of the Employer, the Trustee considers that it is enabled properly to exercise its functions as Trustee of the Plan.

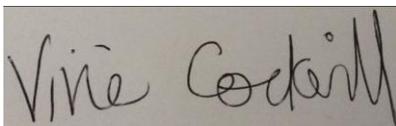
In particular:

- at least two of the Trustee directors have the relevant financial knowledge and experience to enable the Trustee to comply with its duties in relation to investment of the Plan's assets and one of the Independent Trustee Directors was formerly the Head of Investment Risk at Wellcome Trust;
- one of the Independent Trustee Directors has extensive experience of pensions law and practice due to their background within pensions law;
- the remaining directors have backgrounds enabling them to understand the demographics and the needs of the Plan members.

Given the extent of the above, I am therefore satisfied that the Trustee Directors have demonstrated a working knowledge of the Plan's Trust Deed and Rules, Statement of Investment Principles and all other documents setting out the Trustee's current policies. The Trustee Board is supported on technical matters by professional advisers where required and this includes attendance of professional advisers at relevant Trustee Board meetings. Further, the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers.

The Chair's statement regarding DC governance was approved by the Trustee and signed on their behalf by:

**Signed:**



**Position:** Chair of the Board of the Wellcome Trust Pensions Trustee Limited as Trustee of the Wellcome Trust Pension Plan

**Date:** 26/06/2020

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### STATEMENT OF TRUSTEE'S RESPONSIBILITIES

#### **Trustee's Responsibilities in Respect of Financial Statements**

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

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

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

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

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

#### **Trustee's Responsibilities in Respect of Contributions**

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

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### INVESTMENT MANAGER'S REPORT

#### Legal & General Assurance (Pensions Management) Limited

The assets of the Plan are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector pension schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment objective is to maintain the Plan's distribution as close as possible to the benchmark shown below by the application of cash flows.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were:

Investment Funds	Value and Distribution 31 December 2019		Value and Distribution 31 December 2018	
	£	%	£	%
World Emerging Market Equity Index Fund	100,985,963	29.9	80,377,832	30.1
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged	236,426,905	70.1	131,479,728	49.2
World Developed (ex Tobacco) Equity Index Fund	-	-	55,464,774	20.7
<b>Total Assets</b>	<b>337,412,868</b>	<b>100.0</b>	<b>267,322,334</b>	<b>100.0</b>

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days.

The time-weighted investment returns on the Plan's assets were as follows:

Investment Sector Fund	1 Year		3 Years (p.a.)	
	Fund %	Index %	Fund %	Index %
World Emerging Markets Equity Index Fund	15.6	15.6	8.9	8.8
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged <sup>1</sup>	25.9	25.9	n/a	n/a
<b>Total Plan</b>	<b>24.05</b>	<b>n/a</b>	<b>11.7</b>	<b>n/a</b>

Source: Investment Managers, Thomson Reuters Datastream, Mercer.

1. The Plan initiated investment in this fund on 9 November 2017, therefore, returns for 3 years are not available.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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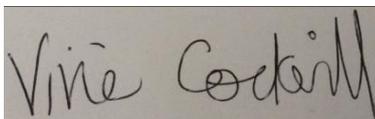
### SUMMARY OF CONTRIBUTIONS

#### Trustee's Summary of Contributions payable under the Schedule of Contributions in respect of the Plan year ended 31 December 2019

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Plan under the Schedule of Contributions certified by the Plan Actuary on 12 December 2017.

<b>Contributions payable under the Schedule in respect of the Plan year</b>		<b>£</b>
Employer:	Normal contributions	7,394,470
	Deficit funding contributions	4,600,000
	Contributions in respect of life assurance premiums	170,649
	Contributions in respect of Pension Protection Fund and Pension Regulator levies	319,255
Member:	Normal contributions	35,564
<b>Total contributions payable under the Schedule (as reported on by the Plan auditor)</b>		<b><u>12,519,938</u></b>
<b>Reconciliation of contributions payable under the Schedule to total contributions as reported in the financial statements</b>		<b>£</b>
Contributions payable under the Schedule		12,519,938
Contributions payable in addition to those payable under the Schedule (and not reported on by the Plan auditor)		
Member:	Additional Voluntary Contributions	226,847
<b>Contributions reported in the financial statements</b>		<b><u>12,746,785</u></b>

Signed on behalf of the Trustee on 26/06/2020 .....



*Sean Thistleton*

.....  
Trustee Director

.....  
Trustee Director

## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN

We have examined the Summary of Contributions to The Wellcome Trust Pension Plan for the Plan year ended 31 December 2019 to which this statement is attached.

In our opinion contributions for the Plan year ended 31 December 2019 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Plan Actuary on 12 December 2017.

### **Scope of work on Statement about Contributions**

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 Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

### **Respective responsibilities of the Trustee and auditor**

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

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

### **Use of our report**

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the 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 Trustee as a body for our work, for this statement, or for the opinion we have formed.



**Deloitte LLP**  
Statutory Auditor  
Reading, United Kingdom

Date: 26 June 2020 ..... 2020

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN

#### **Opinion**

In our opinion the financial statements of The Wellcome Trust Pension Plan:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 December 2019 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements of the Plan which comprise:

- the Fund Account;
- the Statement of Net Assets (available for benefits); and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council ("FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE WELLCOME TRUST PENSION PLAN (CONTINUED)

### **Other information**

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of the Trustee**

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

In preparing the financial statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

This report is made solely to the Plan's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's 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 Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



**Deloitte LLP**

Statutory Auditor

Reading, United Kingdom

Date: 26 June 2020  
..... 2020

THE WELLCOME TRUST PENSION PLAN  
YEAR ENDED 31 DECEMBER 2019

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions	4	12,484,374	13,193,902
Member contributions	4	262,411	175,934
		<u>12,746,785</u>	<u>13,369,836</u>
Other income	5	-	467
		<u>12,746,785</u>	<u>13,370,303</u>
Benefits paid or payable	6	(5,791,303)	(4,590,755)
Payments to and on account of leavers	7	(117,797)	(1,295,035)
Administrative expenses	8	(744,795)	(655,192)
Other payments	9	(170,649)	(91,261)
		<u>(6,824,544)</u>	<u>(6,632,243)</u>
<b>NET ADDITIONS FROM DEALINGS WITH MEMBERS</b>		<u>5,922,241</u>	<u>6,738,060</u>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	10	71	62
Investment management expenses	11	(357,408)	(324,650)
Change in market value of investments	12.1	65,227,675	(17,140,353)
<b>NET RETURNS ON INVESTMENTS</b>		<u>64,870,338</u>	<u>(17,464,941)</u>
<b>NET INCREASE/(DECREASE) IN THE FUND DURING THE YEAR</b>		70,792,579	(10,726,881)
<b>NET ASSETS OF THE PLAN AT 1 JANUARY</b>		<u>272,893,922</u>	<u>283,620,803</u>
<b>NET ASSETS OF THE PLAN AT 31 DECEMBER</b>		<u><u>343,686,501</u></u>	<u><u>272,893,922</u></u>

The notes on pages 24 to 33 form an integral part of these financial statements.

THE WELLCOME TRUST PENSION PLAN  
YEAR ENDED 31 DECEMBER 2019

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)  
AT 31 DECEMBER 2019

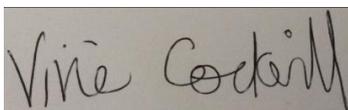
	Note	2019 £	2018 Restated £
<b>INVESTMENT ASSETS</b>			
Pooled investment vehicles	12.4	337,412,868	267,322,334
Insurance policies – annuities	12.5	2,085,000	2,109,000
DC investments	12.6	354,931	320,882
AVC investments	12.7	3,390,258	3,076,025
<b>TOTAL NET INVESTMENTS</b>		<b>343,243,057</b>	<b>272,828,241</b>
<b>CURRENT ASSETS</b>	14	986,348	674,507
<b>CURRENT LIABILITIES</b>	15	(542,904)	(608,826)
<b>NET ASSETS OF THE PLAN AT 31 DECEMBER</b>		<b>343,686,501</b>	<b>272,893,922</b>

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 34 and 35, and these financial statements should be read in conjunction with that Report.

The notes on pages 24 to 33 form an integral part of these financial statements.

The 2018 figures have been restated in respect of DC investments which were previously included within AVC investments.

These financial statements were approved by the Trustee on ..... 26/06/..... 2020 and were signed on its behalf by:



*Sean Thistleton*

.....  
Trustee Director

.....  
Trustee Director

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### NOTES TO THE FINANCIAL STATEMENTS

#### 1 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 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice, (revised 2018).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements.

#### 2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Plan is established as a trust under English law. The addresses for enquiries to the Plan are included on page 7 of the Trustee's Report.

#### 3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted 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 Plan's functional currency and presentational currency is pounds sterling (GBP).

##### 3.3 Contributions

Normal contributions, both from members and the Employer, and are accounted for as they fall due under the Schedule of Contributions in force. These contributions are deducted by the Employer and paid to the Plan on or before the 19<sup>th</sup> of the calendar month following deduction.

Deficit funding contributions from the Employer are accounted for as they fall due under the Schedule of Contributions in force.

Additional contributions from the Employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Additional voluntary contributions from members are accounted for in the month they are deducted from payroll.

##### 3.4 Payments to members

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

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Individual transfers in or out of the Plan are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Plan, this is shown separately within benefits.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3 ACCOUNTING POLICIES

##### 3.5 Expenses

All the costs of managing and administering the Plan are borne by the Plan, except for certain administration, pension payroll and accounting services provided to the Plan by the Employer for which no fees are charged. The Employer pays amounts into the Plan equal to the Pension Protection Fund and the Pension Regulator levies and the insurance premiums for death in service benefits of the Plan. The responsibility for the pension payroll was outsourced to the Plan Administrator in November 2019.

##### 3.6 Investment income

Income generated by the pooled investment vehicles is not distributed, but is retained within the fund and reflected in the market value of the units.

Purchases of annuities and annuity income received in respect of annuity policies held in the name of Trustee are accounted for as purchases and sales against annuity policy investments. Those purchased in the name of the members are shown as purchase of annuities within benefits paid or payable, as the liability of the Plan is then discharged.

##### 3.7 Valuation of investments

Investments are valued at fair value.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the investment manager.

Realised and unrealised gains and losses on investments are dealt with in the fund account for the year in which they arise.

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Plan Funding valuation assumptions and methodology. Annuity valuations are provided by the Plan Actuary. Annuities are issued by Standard Life, Phoenix Life, Aviva and Prudential.

#### 4 CONTRIBUTIONS

	2019 £	2018 £
<b>Employer's Contributions</b>		
Normal contributions	7,394,470	8,168,997
Deficit funding contributions	4,600,000	4,600,000
Augmentation contributions	-	40,848
Life assurance premiums	170,649	91,261
Pension Protection Fund and Pension Regulator levies	319,255	292,796
	12,484,374	13,193,902
<b>Members' Contributions</b>		
Normal contributions	35,564	42,212
Additional voluntary contributions	226,847	133,722
	262,411	175,934
	12,746,785	13,369,836

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4 CONTRIBUTIONS (CONTINUED)

In accordance with the Schedule of Contributions certified on 12 December 2017 annual deficit funding contributions of £4.6m are payable by each 31 December from 1 January 2017 to 31 December 2021.

A salary sacrifice arrangement has been in place since 1 October 2012. Member contributions of £923,928 (2018: £1,012,465) received in respect of this arrangement are included in the employer normal contributions. The deed of amendment dated 30 October 2013 enables members to make additional voluntary contributions (AVCs) through salary sacrifice. The value for AVCs includes salary sacrifice contributions of £202,830 (2018: 110,241).

#### 5 OTHER INCOME

	2019 £	2018 £
Compensation	-	467
	-	467

#### 6 BENEFITS PAID OR PAYABLE

	2019 £	2018 £
Pension payments	3,946,426	3,664,399
Commutations and lump sum retirement benefits	1,623,788	536,558
Lump sums on death	1,396	65,494
Taxation where lifetime or annual allowance exceeded	219,694	324,304
	5,791,304	4,590,755

Pension payments include £128,200 (2018: £124,760) annuity income paid directly to the annuitants by the annuity providers.

#### 7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2019 £	2018 £
Refunds to members leaving service	-	8,652
Payments for members joining state scheme	(44,693)	932
Individual transfers out to other schemes	162,490	1,285,451
	117,797	1,295,035

A refund of state scheme premiums of £67,968 was received from HMRC in the Plan year.

#### 8 ADMINISTRATIVE EXPENSES

	2019 £	2018 £
Administration and processing	109,848	107,033
Actuarial and consultancy fees	255,164	234,603
Audit fees	14,104	18,360
Legal and other professional fees	46,424	2,400
Pension Protection Fund and Pension Regulator Levies	319,255	292,796
	744,795	655,192

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 9 OTHER PAYMENTS

	2019 £	2018 £
Premiums on term insurance policies	170,649	91,261
	<u>170,649</u>	<u>91,261</u>

The total for the current year includes final premiums of £31,579 from Canada Life, relating to prior years, as a result of the switch in life assurance provider during 2018.

#### 10 INVESTMENT INCOME

	2019 £	2018 £
Interest on cash deposits	71	62
	<u>71</u>	<u>62</u>

#### 11 INVESTMENT MANAGEMENT EXPENSES

	2019 £	2018 £
Administration, management and custody	357,408	324,650
	<u>357,408</u>	<u>324,650</u>

#### 12 INVESTMENTS

##### 12.1 RECONCILIATION OF INVESTMENTS

	Value at 1 January 2019 (Restated) £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 December 2019 £
Pooled investment vehicles	267,322,334	72,518,735	(67,089,235)	64,661,034	337,412,868
Insurance policies - annuities	2,109,000	-	(192,000)	168,000	2,085,000
DC investments	320,882	-	-	34,049	354,931
AVC investments	3,076,025	236,442	(286,801)	364,592	3,390,258
	<u>272,828,241</u>	<u>72,755,177</u>	<u>(67,568,036)</u>	<u>65,227,675</u>	<u>343,243,057</u>

The opening figures have been restated in respect of DC investments which were previously included within AVC investments.

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 WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 12.2 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Plan's net assets at the year end:

	2019 £	2019 % of net assets	2018 £	2018 % of net assets
World Developed (ex Tobacco) Equity Index Fund - GBP Hedged	236,426,905	68.8	131,479,728	48.2
World Emerging Markets Equity Index Fund	100,985,963	29.4	80,377,832	29.5
World Developed (ex Tobacco) Equity Index Fund	-	-	55,464,774	20.3

#### 12.3 TRANSACTION COSTS

Indirect costs are borne by the Plan in relation to transactions in pooled investment vehicles. These are accounted for by an adjustment of the bid/offer spread of units. Direct costs are shown in Note 11 above.

#### 12.4 POOLED INVESTMENT VEHICLES

	2019 £	2018 £
Equity Funds	337,412,868	267,322,334
	<u>337,412,868</u>	<u>267,322,334</u>

#### 12.5 INSURANCE POLICIES – ANNUITIES

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Plan Funding valuation assumptions and methodology. Annuity valuations are provided by the Plan Actuary. Annuities are issued by Standard Life, Phoenix Life, Aviva and Prudential.

	2019 £	2018 £
Insurance policies – annuities	2,085,000	2,109,000
	<u>2,085,000</u>	<u>2,109,000</u>

#### 12.6 DC INVESTMENTS

	2019 £	2018 £
Standard Life	354,931	320,882
	<u>354,931</u>	<u>320,882</u>

The above investments relate to DC augmentations granted on severance to members, which were previously included within AVC investments and transferred during the year to a separate policy with Standard Life.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 12.7 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 amounts of AVC investments held at the year end are as follows:

	2019 £	2018 (Restated) £
Standard Life	3,388,022	3,074,303
AEGON	2,236	1,722
	3,390,258	3,076,025

#### 12.8 FAIR VALUE HIERARCHY

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.

Level 2 Inputs other than the quoted prices included within Level 1 that are observable (i.e. developed for the asset or liability either directly or indirectly).

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Plan's investment assets fall within the above hierarchy as follows:

	Level 1 £	Level 2 £	Level 3 £	Total 2019 £
Pooled investment vehicles	-	337,412,868	-	337,412,868
Insurance policies	-	-	2,085,000	2,085,000
DC investments	-	354,931	-	354,931
AVC investments	-	2,712,948	677,310	3,390,258
	-	340,480,747	2,762,310	343,243,057

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 12.8 FAIR VALUE HIERARCHY (CONTINUED)

	Level 1	Level 2	Level 3	Total 2018 (Restated)
	£	£	£	£
Pooled investment vehicles	-	267,322,334	-	267,322,334
Insurance policies	-	-	2,109,000	2,109,000
DC investments	-	320,882	-	320,882
AVC investments	-	2,307,726	768,299	3,076,025
	-	269,950,942	2,877,299	272,828,241

The 2018 figures have been restated in respect of DC investments which were previously included within AVC investments.

#### 12.9 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 Plan 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 Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment manager agreement in place with the Plan's investment manager and monitored by the Trustee by regular reviews of the investment portfolios.

Pooled investment arrangements used by the Plan are unit linked insurance contracts.

Further information on the Trustee's approach to risk management and the Plan's exposure to credit and market risks are set out below. For full detail of the Plan's investment strategy, as well as information in respect of the Plan's approach to risk management, measurement, reporting and mitigation strategies, please refer to the Trustee's most recent Statement of Investment Principles dated May 2018 included in Appendix 1 and notes 19 and 20 to the financial statements which provide further details regarding the impact of Brexit and Covid-19.

This does not include DC or AVC investments as these are not considered significant in relation to the overall investments of the Plan.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 12.9 INVESTMENT RISKS (CONTINUED)

##### (i) Credit risk

The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles.

##### Analysis of direct credit risk

	Investment Grade £	Non-investment Grade £	Unrated £	Total 2019 £
Pooled investment vehicles	-	-	337,412,868	337,412,868
	-	-	337,412,868	337,412,868
	Investment Grade £	Non-investment Grade £	Unrated £	Total 2018 £
Pooled investment vehicles	-	-	267,322,334	267,322,334
	-	-	267,322,334	267,322,334

As the Plan's investment holdings detailed above are wholly in pooled investment vehicles, specifically unitised insurance policies, the investments are classified as unrated, consistent with other types of investments of this asset class. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled investment manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled investment manager.

Cash is held within financial institutions which are at least investment grade rated.

The Plan is not exposed to any indirect credit risk.

##### (ii) Currency risk

The Plan's assets are subject to indirect currency risk because some of the Plan's investments are held in overseas markets via pooled investment vehicles. The Trustee has implemented a currency hedging strategy which is outlined in section 3 of the Statement of Investment Principles dated May 2018.

At the year end, the Plan was exposed to indirect currency risk on £100,985,963 of equity securities (2018: £135,842,606).

##### (iii) Interest rate risk

The Plan is exposed to direct interest rate risk on £2,085,000 (2018: £2,109,000) of insurance policies, due to the interest element in calculating the net discount rate when valuing the policies. The Trustee manages the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 12.9 INVESTMENT RISKS (CONTINUED)

##### (iv) Other price risk

Other price risk arises in relation to the Plan's return seeking portfolio which includes equities held in pooled investment vehicles. The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year end, the Plan's exposure to investments subject to indirect other price risk through its equity pooled investment vehicles was £337,412,868 (2018: £267,322,334).

The Plan is exposed to direct other price risk on £2,085,000 (2018: £2,109,000) of insurance policies, due to the inflation element in calculating the net discount rate when valuing the policies. As with interest rate risk, the Trustee manages the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

#### 13 TAX

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

#### 14 CURRENT ASSETS

	2019 £	2018 £
Bank balance	653,135	360,617
Pensions prepaid	333,213	304,962
Other debtors	-	8,928
	986,348	674,507

#### 15 CURRENT LIABILITIES

	2019 £	2018 £
Unpaid benefits	145,863	271,592
Accrued expenses	395,572	335,958
Other creditors	1,469	1,276
	542,904	608,826

#### 16 EMPLOYER RELATED INVESTMENTS

There were no employer-related investments held during the current or prior year.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 17 RELATED PARTY TRANSACTIONS.

The Principal Employer provides the Plan with some basic administrative services, such as pension payroll, for which no charge is levied. The fees of the Trustees are met by the Principal Employer. The fees for the year ended 31 December 2019 were £35,000 (2018: £23,750).

The following Trustee Directors were active members of the Plan during the year: Elaina Elzinga, Richard Everett and Sarah Fromson (part year). Contributions for these Trustee Directors were made in line with the Schedule of Contributions in force. Sean Thistleton and Sarah Fromson are deferred members and retain an entitlement to a deferred pension from the Plan on reaching retirement age.

#### 18 GMP EQUALISATION

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and are considering the matter together with the Employer and appropriate advisors. It is not possible to estimate the value of any such adjustments at this time.

#### 19 BREXIT

The Trustee has reviewed contracts with investment managers and third party suppliers to ensure that it can continue to manage the Plan's assets and liabilities in the event of legal changes as a result of Brexit. As a matter of ongoing policy, the Plan's assets are globally diversified and currency hedged. The Trustee will continue to monitor the situation as it evolves.

#### 20 COVID-19

Subsequent events were evaluated through to 17 June 2020, the date that the Plan financial statements were signed by the Trustee. From 1 January 2020 to 17 June 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the Plan's investment return and the fair value of the Plan investments. As at 12 May 2020 the unaudited fair value of the pooled investment vehicles provided by the Plan investment managers was £290,323,251 compared to an audited year end value of £343,243,057. In accordance with the requirements of FRS 102 and the Pensions SORP the fair valuations at the date of the statement of net assets reflect the economic conditions in existence at that date. The Trustee has evaluated all subsequent events or transactions for potential recognition or disclosure through to 17 June 2020, the date on which these financial statements were signed and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the financial statements.

The COVID-19 outbreak has been developing worldwide at different rates since it first emerged in China in December 2019. So far it has caused substantial volatility in financial markets and disruption in supply chains. It is possible it will also cause further disruption to normal working practices in the UK as the outbreak escalates. The Trustee has engaged with their advisers as regards their business continuity plans. The Trustee is satisfied that their advisers have in place appropriate plans including home working with access to secure IT equipment and platforms so as to minimise disruption to member services. The Trustee is satisfied with the strength of the Employer Covenant.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### 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 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 Plan members on request.

The most recent triennial actuarial valuation of the Plan effective as at 31 December 2016 showed that the accumulated assets of the Plan represented 93% of the Plan's technical provisions in respect of past service benefits; this corresponds to a deficit of £16.8m at the valuation date.

	£m
The value of the technical provisions was:	244.8
The value of the assets at that date was:	228.0

If the Plan had been discontinued and wound up at 31 December 2016 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 32%, corresponding to a shortfall of £479.5m.

There has since been a funding update carried out with an effective date of 31 December 2017. This showed that the accumulated assets of the Plan represented approximately 106% of the Plan's Technical Provisions at that date.

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Plan in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

#### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

#### Significant Actuarial Assumptions

**Discount interest rate:** Calculated as the annualised yield on the FTSE Actuaries' Government Securities 20 Year Fixed Interest Yield Index rounded to the nearer 0.1% per annum plus 3.0% per annum. The rate adopted at the valuation was 4.9% per annum.

**Rate of inflation - Retail Prices Index:** Calculated using the Bank of England's implied inflation spot curve at a term of 20 years, rounded to the nearer 0.1% per annum. The rate adopted at the valuation was 3.7% per annum.

**Rate of pensionable earnings increase:** Calculated in line with RPI assumption plus 0.5% per annum. The rate adopted at the valuation was 4.2% per annum.

**Revaluation of pensions in deferment:** Elements of pension in deferment which have future revaluation in line with RPI subject to a maximum of 5% per annum calculated as revaluing at the assumed rate of RPI inflation, subject to a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.7% per annum.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

#### **Significant Actuarial Assumptions (Continued)**

**Pension increases:** Elements of members' pension which increase in payment in line with RPI subject to a maximum of 5% per annum taken to increase at assumed rate of RPI growth less 0.1% per annum, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.6% per annum.

Pensions which increase in payment in line with RPI subject to a maximum of 5 % per annum and minimum of 3% per annum taken to increase at the assumed rate of RPI growth plus 0.2% per annum, subject to a minimum assumption of 3% per annum and a maximum assumption of 5% per annum. The rate adopted at the valuation was 3.9% per annum.

**Mortality:** No allowance made for pre-retirement mortality.

Post-retirement mortality - the basis adopted for the valuation was 100% of the mortality rate in the standard tables S2PMA\_L for males and S2PFA\_L for females, projected to the valuation date in line with the approach below.

Allowance for future improvements: CMI core projected model with a 1.5% per annum long term projected rate of improvement (CMI\_2016 [1.5%]), using a year of birth approach.

The standard rates were not adjusted to take account of material geographical, occupation and/or socio economic factor expected to influence the life expectancy of the Plan membership.

#### **Recovery plan**

In light of the deficit arising from the actuarial valuation, a recovery plan was agreed between the Trustee and the employer on 12 December 2017. Under the recovery plan, the Trustee and the employer have agreed that annual deficit funding contributions of £4,600,000 are payable by 31 December each year from 1 January 2017 to 31 December 2021.

These arrangements were formalised in a Schedule of Contributions which the Plan Actuary certified on 12 December 2017. A copy of this certificate is included on page 38 of this report.

#### **Next actuarial valuation**

The triennial valuation as at 31 December 2019 is currently in progress.

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### SCHEDULE OF CONTRIBUTIONS

#### THE WELLCOME TRUST PENSION PLAN

This schedule of contributions has been prepared by the trustees, after obtaining the advice of Charles Cowling, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 19 August 2016.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 December 2016 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

#### **Period covered by this schedule of contributions**

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after the date it is certified by the Scheme Actuary.

#### **Contributions by active members who are not Salary Sacrifice Members**

5% of Contribution Salary for members electing to accrue benefits on a 60ths scale.

All other members are non-contributory.

These contributions are to be deducted by the employer and paid to the scheme on or before the 19<sup>th</sup> of the calendar month following deduction. Any additional voluntary contributions payable by active members are payable in addition.

#### **Contributions by active members who are Salary Sacrifice Members**

Nil. Any additional voluntary contributions payable by active members are payable in addition, where not provided via salary sacrifice.

#### **Contributions by employer in respect of future accrual of benefits, death in service benefits and expenses**

With effect from 1 January 2018, 33.4% of Contribution Salary, less the ordinary contributions payable by active members, payable monthly by the 19<sup>th</sup> of the calendar month after that to which they relate.

Prior to 1 January 2018, the contribution rate will be in line with the previous schedule of contributions.

In addition, the employer will pay amounts into the scheme equal to the levy payments made by the scheme to the Pension Protection Fund. Such amounts will be paid by the employer within a year of them being paid by the scheme. Insurance premiums for death in service benefits are payable in addition as and when they are due.

#### **Contributions by employer in respect of the shortfall in funding**

In accordance with the recovery plan following the 31 December 2016 actuarial valuation, the employer will pay annual contributions of £4,600,000 payable by each 31 December, from 1 January 2017 to 31 December 2021.

#### **Additional employer contributions**

The employer may pay additional contributions of any amount and at any time from those set out above.

#### **Contribution Salary**

As defined in the Trust Deed:

THE WELLCOME TRUST PENSION PLAN  
YEAR ENDED 31 DECEMBER 2019

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SCHEDULE OF CONTRIBUTIONS (CONTINUED)

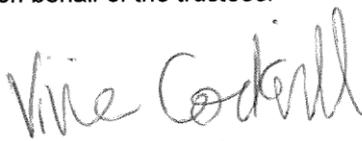
"Contribution Salary" means the total basic fixed annual salary or total basic annual wages of a Member calculated on a monthly basis. Unless an Employer in any particular case so decides, Contribution Salary shall not include any director's fees, bonuses, commissions, overtime or other fluctuating emoluments.

In the case of a Post 89 Member his Contribution Salary shall be subject to and shall not exceed the Earnings Cap unless the Principal Employer, with the consent of the Trustees, decides that the Earnings Cap shall not apply to any such Member.

For clarification, any reduction to basic pay which results from a member entering into a salary sacrifice agreement shall, where his employer directs, be ignored for the purposes of this definition. For these members basic salary will be the amount notified to the trustees by the employer.

SIGNATURES

Signed on behalf of the trustees:

Name:   
Position: DIRECTOR + CHAIR OF TRUSTEES  
Date: 5 December 2017

Signed on behalf of the employer:

Name:   
Position: CFO, WELLCOME TRUST  
Date: 6/12/17

This schedule of contributions has been agreed by the trustees after obtaining actuarial advice from me.

Signed:



Name: Charles Cowling  
Fellow of the Institute and Faculty of Actuaries  
Position: Scheme Actuary  
Date: 12/12/17

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

# ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

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## THE WELLCOME TRUST PENSION PLAN

### 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 could have been expected on 31 December 2016 to continue to be met by the  
end of the period specified in the recovery plan dated (i.e. signed on behalf of the trustees on) 5/12/2017.

### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding  
principles dated (i.e. signed on behalf of the trustees on) 5/12/2017

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:	<u>12/12/2017</u>
Name:	Charles Cowling	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's Tower 7 Charlotte Street Manchester M1 4DZ	Name of employer:	JLT Benefit Solutions Limited

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### MEMBERS' INFORMATION

#### INTRODUCTION

The Plan is a defined benefit scheme and is administered by JLT Benefit Solutions Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10102261.

#### Other information

- (i) The Pensions Ombudsman (TPO) deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. Members have the right to refer a complaint to TPO free of charge.

Contact with TPO about a complaint needs to be made within three years of when the event(s) being complained about happened, or if later, within three years of when a member first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

TPO now operates an Early Resolution Service (ERS) in addition to its normal Adjudication Service that aims to provide a quick, informal and streamlined process. Any member that elects to use the ERS does not need to follow the Trustee's Internal Dispute Resolution Procedure (IDRP). However should any complaint that has gone through the ERS remain unresolved, TPO expects the IDRP to be followed prior to complaint being passed to its Adjudication Service:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU



0800 917 4487



[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)



[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

- (ii) The Money & Pensions Service ("MaPS") brings together three respected providers of financial guidance; Pensions Wise, the Money Advice Service and the Pensions Advisory Service. MaPS is committed to ensuring that people throughout the UK have guidance and access to the information that they need to make effective financial decisions over their lifetime. The contact details are:

Money and Pensions Service  
Holborn Centre  
120 Holborn  
London  
EC1N 2TD



01159 659 570



[www.moneyandpensionsservice.org.uk](http://www.moneyandpensionsservice.org.uk)

- (iii) The Pensions Regulator (TPR) can intervene if it considers that a scheme's Trustees, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW



0345 600 0707



[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

# THE WELLCOME TRUST PENSION PLAN

## YEAR ENDED 31 DECEMBER 2019

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### MEMBERS' INFORMATION (CONTINUED)

#### Other information (Continued)

- (iv) The Pension Protection Fund (PPF) was established under the Pensions Act 2004 to pay compensation to members of eligible defined benefit pension schemes, when the sponsoring employer has suffered a qualifying insolvency event, and where the scheme is assessed as having insufficient assets to cover PPF levels of compensation.

The PPF is funded by a retrospective levy on occupational pension schemes.

- (v) The Trust Deed and Rules, the Plan details, and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report. Any information relating to the members' own pension position, including estimates of transfer values should also be requested from the administrators of the Plan, Mercer Limited, at the address detailed in this report.

# APPENDIX 1

## STATEMENT OF INVESTMENT PRINCIPLES