

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

ANNUAL REPORT

THE INSTITUTE OF PHYSICS RETIREMENT BENEFITS PLAN (1975)

Scheme registration number: 10099901

**FOR THE YEAR ENDED
31 DECEMBER 2020**

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Scheme Advisers and Principal Employer

Scheme Actuary

Julian Hough
XPS Pensions Group
Phoenix House
1 Station Hill
Reading
RG1 1NB

Auditor

BDO LLP
Bridgewater House
Counterslip
Bristol
BS1 6BX

Investment Managers

The Trustees have selected the following Investment Managers to manage the assets of the Scheme via a single policy with Legal & General Assurance (Pension Management) Limited, being a Platform Provider effective from 20th March 2019:

Legal & General Investment Management Limited
BMO Global Asset Management
Schroder Investment Management
Insight Investment

Investment in the Partners Fund has been made via Northern Trust International Fund Administration Services (Guernsey) Ltd.

Additional Voluntary Contribution Providers

The Prudential Assurance Company Limited

Scheme Administrator and Consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading
RG1 1NB

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Scheme Advisers and Principal Employer (continued)

Life Assurance Company

Canada Life Assurance Co.

Bankers

HSBC Bank Plc

Annuity Provider

Legal & General Assurance Society Limited

Principal Employer

The Institute of Physics

Contact for further information

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Trustees' Report

Introduction

The Trustees of The Institute of Physics Retirement Benefits Plan (1975) are pleased to present their report together with the financial statements for the year ended 31 December 2020. The Scheme is a defined benefit scheme. The Scheme was closed to new members with effect from 31 December 2001. The Scheme was closed to further accrual on 30 June 2015. Employees who participated in the Scheme on that date were invited to join the IOP Group defined contribution pension arrangements, with employer/employee contribution percentages maintained as under the defined benefit scheme.

Management of the Scheme

In accordance with the Occupational Pension Schemes (Member nominated Trustees and Directors) Regulations 1996, members have the option to nominate and vote for member elected Trustees. There are two member nominated Trustees, whose terms of office are normally five years. There are also two Trustees appointed by the Institute, and an independent Trustee, appointed by the Institute.

During the year under review the Trustees of the Scheme have been:

Capital Cranfield Pension Trustees Ltd represented by Mr R D Matthews - independent
Chairman of trustees
Mr M Bray - Institute appointed trustee
Mr J Brindley - member nominated trustee
Prof J Jones - Institute appointed trustee
Mr E Martin - member nominated trustee

Further information about the Scheme is given in the explanatory booklet, dated August 2009, which is issued to all members and available on the Institute's intranet.

Principal Employer

The Institute's registered address is 37 Caledonian Road, London, N1 9BU.

Financial development

The financial statements on pages 18 to 33 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £97,531,229 at 31 December 2019 to £109,551,675 at 31 December 2020.

Employer-related investment

There were no employer-related investments during the year.

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Trustees' Report (continued)

Membership

Details of the membership of the Scheme are given below:

	2020	2019
Pensioners		
Pensioners at the start of the year	119	117
Members retiring during the year	12	4
Pensioners who died during the year	(3)	(2)
New dependants pensions	2	1
Adjustments to prior year figure	3	(1)
	<u>133</u>	<u>119</u>
Pensioners at the end of the year		
Closure		
Closure members at the start of the year	43	45
Leavers with deferred benefits	(2)	(1)
Retirements	-	-
Adjustment to prior year figure	(1)	(1)
	<u>40</u>	<u>43</u>
Closure members - deferred at the end of the year		
Other members with preserved and deferred benefits		
Number at the start of the year	212	217
Transfers from closure membership	2	1
Retirements	(12)	(4)
Transfer out	(2)	(1)
Adjustment to prior year figure	1	(1)
	<u>201</u>	<u>212</u>
Preserved and deferred members at the end of the year		
Total membership at the end of the year		
	<u>374</u>	<u>374</u>

Pensioners include individuals receiving a pension upon the death of a member.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Closure members are those members that were active at the date of the scheme's closure to future accrual and are still employed by the employer.

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Trustees' Report (continued)

Funding position of the Scheme

The actuarial figures below exclude the bulk annuity policy valued at £9,887,000 which provides for pensions in payment as at 10 August 2010.

An Actuarial report has been produced by the Scheme Actuary dated December 2019 in accordance with the Pensions Act 2004 and the following information is taken from it.

The most recent Actuarial Valuation of the Scheme was carried out with an effective date of 31 December 2019. The funding position in respect of benefits accrued up to that date was as follows;

Assets valued on 31 December 2019	£97,920,000
Amount needed to provide accrued benefits	£105,440,000
Funding shortfall	£7,520,000
Funding position relative to the target funding level	93%

The Institute confirmed its continued support for the Scheme. Following discussions with the Trustees, a recovery plan to fund the deficit was agreed involving the continuation of contributions from the Institute of £1m per annum commencing from 1 April 2021 through to 30 June 2025.

The Institute has agreed to pay additional contingent contributions to the Scheme subject to 1) having sufficient funding to meet the commitments of the Institute's 5-year plan and 2) meeting the needs of the Institute's reserves policy.

If the Scheme were to be wound up, members might not receive the full amount of pension they have accrued even if the Scheme were fully funded under the Trustees' funding strategy. However, whilst the Scheme remains a going concern, benefits will continue to be paid in full.

If the Scheme were to be wound up, the Institute would be required to pay an amount into the Scheme sufficient to enable the members' benefits to be secured in full with an insurance company. The total cost for this to have been achieved on 31 December 2019 was estimated at £56.56 million as per the latest triannual valuation.

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. Assets are valued at their market value. Liabilities – otherwise known as the “technical provisions” – are measured by projecting the benefits that are expected to be paid to the members of the Scheme. As these benefits are expected to be paid over a long period of time, they are discounted to allow consistent comparison with the market value of the assets, which are expected to earn investment returns over time.

On 26 October 2018, the High Court handed down a judgment that requires defined benefit pension schemes to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The effects of this judgement have been included in the valuation of the scheme as at 31 December 2019. In November 2020 there was a further judgement relating to this case relating to the equalisation of past individual transfers out of pension schemes. This second judgement is not included in the latest valuation of the Scheme as at 31 December 2019, as this was prior to the court hearing. Based on an assessment of past transfers the Trustees do not expect this second judgement to have a significant effect on the Scheme or to be material to the Scheme valuation or the financial statements.

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Trustees' Report (continued)

Funding position of the Scheme (continued)

To estimate the amount of the future benefit payments, assumptions need to be made. The assumptions used in the valuation are agreed between the trustees and the Institute and are set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most significant of these are as follows:

- Discount rate pre-retirement: 3.85%
- Discount rate post-retirement: 1.85%
- Pensionable salary increases: 2.80%
- Price inflation (RPI): 3.40% per annum
- Price inflation (CPI): 2.70% per annum
- Pension increases in deferment:
 - GMP: Fixed Rates
 - Pre 06/04/2009 excess: 2.70% per annum
 - Post 06/04/2009 excess: 2.50% per annum
- Pension increases in payment for pensions accrued:
 - Pre 01/01/2001: 5.00% per annum
 - 01/01/2001 to 31/12/2005: 3.39% per annum
 - Post 01/01/2006: 2.24% per annum
- Expected return for Recovery Plan net of investment expenses: 0.5% per annum above the average discount rate
- Mortality pre and post retirement: 95% of the S3PMA table for males and 95% of the S3PFA table for females projected from 2013 in line with the CMI 2019 projections with the default smoothing parameter of 7.0, an initial addition of 0.5% and with long term improvement rates of 1.5% per annum for both males and females.
- Withdrawals: No allowance
- Retirement: All at Normal Retirement Age (65)
- Age difference of dependants: Males 3 years older than females
- Cash commutation at retirement
 - Amount of pension exchanged: 75% of maximum permitted at retirement
 - Cash per £1 pa pension commuted at age 65
 - Pre 01: 22.5
 - 01-06: 18.4
 - Post 06: 16.4
- Proportion married: 80% with a financial dependent at retirement
- Promotional salary scale: None
- Expenses: No explicit allowance
- GMP Equalisation: 0.5% of total liabilities

The full report on the Actuarial Valuation following the actuary's check of the Scheme's situation as at 31 December 2019 can be obtained from Paul Hardaker at the address given on page 3.

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Investment Report

General

The majority of investments were managed during the year by Legal & General Assurance (Pension Management) Limited. The scheme's investment in the Partners Fund is managed by Northern Trust International Fund Administration Services (Guernsey) Limited.

The insurance annuity was managed by Legal & General Assurance (Pension Management) Limited during the year.

The investments are allocated between the various funds in accordance with the investment strategy agreed by the Trustees and documented in the Statement of Investment Principles.

Investment principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. A copy of the statement is available on request. The main priority of the Trustees when considering the investment policy is that the promises made about members' pensions may be fulfilled. Accordingly, investments are spread across the available range, both by type of investment (equities and bonds) and geographically. Spreading the investments in this way reduces the risk of a sharp change in one particular market having a substantial impact on the whole fund.

The Trustees support best practice in terms of shareholder activism. In the case of pooled funds they accept that the day-to-day exercise of voting rights is necessarily carried out by the investment managers. The Trustees do, however, expect their investment manager to adopt a voting policy in accordance with best industry practice.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the social, environmental and ethical policies in which such pooled funds invest. Where the pooled funds are managed on a passive basis, decisions regarding the selection, retention and realisation of investments are only made in order to ensure efficient tracking of indices, and social, environmental and ethical considerations are not taken into account. However, the Trustees have noted the extent to which social, environmental and ethical issues are taken into account by their appointed investment managers in exercising their corporate governance policy.

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Investment Report (Continued)

Fund Values

Below are the fund values at the beginning and the end of the year (excluding additional voluntary contributions and the insurance annuity):

	Market Value 31 Dec 2020	Market Value 31 Dec 2019
Legal & General		
Institute of Physics F&C Nominal Dynamic LDI	18,863,253	16,295,568
IOP BMO Short Profile Real Dynamic LDI	13,899,252	10,601,924
Institute of Physics L&G Global Equity Market Weights 30:70 Index - 75% GBP Currency Hedged	19,913,414	18,738,935
LGIM PMC Schroder Life Int Div Growth Fund	17,449,987	16,788,770
LGIM PMC Insight Broad Opportunities Fund	16,602,112	16,722,073
Sterling Liquidity Fund	3,075,661	-
Northern Trust		
Partners Fund GBP Partners E	8,811,815	8,145,192
Partners Fund GBP Class E-N	1,118,289	1,033,357
Total	<u>99,733,784</u>	<u>88,325,819</u>

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Investment Report (Continued)

Asset Allocation

The funds are designed for corporate and public sector Pension Schemes and take full advantage of the tax exemptions available to investment funds of this type. They are unitised funds 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 who are regularly reviewed by external auditors.

The value of the units held at the beginning and end of the reporting period, on single priced market price basis were:

Investment Sector Fund	Value and Distribution		Strategic Benchmark Allocation
	£	%	%
LGIM IOP BMO Nominal Dynamic LDI	18,863,253	18.9%	20.0%
LGIM IOP BMO Short Profile Real Dynamic LDI	13,899,252	13.9%	18.0%
Sterling Liquidity Fund	3,075,661	3.1%	0.0%
Total Matching Assets	35,838,167	35.9%	38.0%
Institute of Physics L&G Global Equity Market	19,913,414	20.0%	20.0%
LGIM PMC Schroder Life Int Div Growth Fund	17,449,987	17.5%	16.0%
LGIM PMC Insight Broad Opportunities Fund	16,602,112	16.6%	16.0%
Partners Funds	9,930,104	10.0%	10.0%
Total Growth Assets	63,895,617	64.1%	62.0%
Total Invested Assets	99,733,784	100%	100%

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 Allocation in the SIP was agreed during the strategic review in 2018 and represents the long-term strategic allocation to meet the Trustee's long term objectives. The implementation of the investment strategy is discussed further in the Implementation Statement on page 12.

The Sterling Liquidity fund is being held to manage the Liquidity risk of the Scheme. The SIP is clear that there is a desire and a need to retain flexibility. The Trustees will hold cash to the extent that they consider necessary to meet impending anticipated liability outflows.

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Investment Report (continued)

Performance

The time-weighted investment returns on the Scheme's assets were as follows.

Time weighted returns to 31 December 2020

Investment Sector Fund	Last Three Months			Last Twelve Months			Last Three Years annualised		
	Fund %	Target %	Deviation %	Fund %	Target %	Deviation %	Fund % pa	Target % pa	Deviation % pa
Institute of Physics L&G Global Equity Market <i>1</i>	11.7	11.6	0.0	6.3	6.2	0.1	6.5	6.5	0.0
LGIM PMC Schroder Life Int Div Growth Fund <i>2</i>	7.5	1.3	6.2	8.4	5.6	2.8	4.3	6.3	2.0
LGIM PMC Insight Broad Opportunities Fund <i>3</i>	6.5	1.0	1.3	0.2	4.2	-4.0	2.5	4.5	-2.0
Institute of Physics BMO Nominal Dynamic LDI <i>4</i>	1.5	2.7	-1.2	44.2	44.6	-0.4	22.4	24.1	-1.7
IOP BMO Short Profile Real Dynamic LDI <i>5</i>	0.5	1.4	-0.9	31.1	30.6	0.5	12.0	14.1	-2.1
Partners Funds <i>6</i>	3.5	1.9	1.5	9.9	8.0	1.8	10.0	8.0	2.0
LGIM Sterling Liquidity Fund <i>7</i>	0.0	0.0	0.0	0.4	0.1	0.2	0.6	0.4	0.2
Total Invested Assets	5.3%	3.4%	1.8%	15.9%	16.3%	-0.5%	9.4%	10.5%	-1.1%

- 1* Investment held since May 2017
- 2* Investment held since April 2016
- 3* Investment held since April 2016
- 4* Investment held since April 2016
- 5* Investment held since February 2018
- 6* Investment held since September 2017
- 7* Investment held since March 2020

Custodial arrangements

Each of the underlying Investment Manager funds that the Scheme has invested in via the Investment Platform has a custodian that holds assets in safekeeping. However, the Scheme accesses the Investment Platform by entering into a life policy agreement with Legal & General Assurance (Pension Management) Limited. As such, the Scheme's assets have been put into a life fund, whereby the life company, Legal & General Investment Management, owns the assets and then creates a liability to the Scheme equal to the investment. Therefore, the Scheme does not have a custodian in the same way as it might have with other pooled fund arrangements.

From September 2017, investment in the Partners Fund has been made via Northern Trust International Fund Administration Services (Guernsey) Ltd; there is no separate custodian. The investment is in the name of the Scheme and a summary of holdings is received at least annually.

The Trustees are responsible for ensuring the Scheme's assets continue to be securely held. They review the custodial arrangements from time to time.

Cash held in connection with the administration of the fund was held in a bank account in the name of the Trustees.

The Institute of Physics Retirement Benefits Plan (1975) Annual Report for the year ended 31 December 2020

Investment Report (continued)

Basis of investment managers' fees

The investment managers are remunerated on a fee basis which is reviewed on a periodic basis by the Trustees.

Further information

Further disclosures required by legislation are included in the Compliance Statement on pages 38 to 39.

Implementation Statement

Purpose

This Statement provides information on how, and the extent to which, certain Trustee policies have been followed during the year ended 31 December 2020 ("the reporting year"). These policies relate to investment engagement activities and the exercising of rights (including voting rights) attached to the Plan's investments. In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In Q2 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment Limited ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. Further to this, during 2020, the Trustees received training in relation to voting and engagement issues which enabled them to refine their policies in relation to such issues. The Trustees' latest policy was documented in the updated Statement of Investment Principles dated August 2020.

The Trustees' updated policy

The Trustees encourage investment managers to make decisions in the long-term interests of the Plan. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term returns. The Trustees also require the investment managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of investment managers, accordingly.

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Plan and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers. The Trustees require the Plan's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Institute of Physics Retirement Benefits Plan (1975) Annual Report for the year ended 31 December 2020

Implementation Statement (continued)

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the investment managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an investment manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are misaligned with the Trustees' expectation then the Trustees may consider terminating the relationship with that investment manager.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises, the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at IC/Trustees' meetings.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Plan has specific allocations to both public and private equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Plan invests. The Plan also gains equity exposure through derivatives contracts; however, these vehicles instruments have no voting rights.

Signed on behalf of the Trustees

DocuSigned by:

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Julian Jones

Trustee

Date: 20 July 2021

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Trustees' Responsibilities Statement

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

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

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

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

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Institute and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Institute in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees also have 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 Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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Independent Auditor's Report

To the Trustees of the Institute of Physics Retirement Benefits Plan (1975)

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Plan during the year ended 31 December 2020 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; 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 Institute of Physics Retirement Benefits Plan (1975) ('the Plan') for the year ended 31 December 2020 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. 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) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

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 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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we

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Independent Auditor's Report (continued)

do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities the Trustees are 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 Trustees determine 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 Trustees are 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 Trustees either intend to wind up the Scheme 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of the trustee, and where appropriate, the administrators or consultants as to whether:
 - the Plan is in compliance with laws and regulations that have a material effect on the financial statements;
 - they have knowledge of any actual, suspected or alleged fraud; or
 - any reports have been made to the Pensions Regulator.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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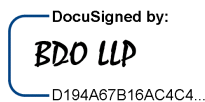
Independent Auditor's Report (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 Trustees, 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 Trustees those matters we are required to state to them 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 Plan's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP
Statutory auditor
Bristol
United Kingdom

Date 22 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Fund Account

	Note	2020 £	2019 £
Contributions and benefits			
Employer Contributions	4	1,000,000	1,067,920
		<hr/>	<hr/>
Total Contributions		1,000,000	1,067,920
Benefits payable	5	(2,042,749)	(1,853,086)
Payments to and on account of leavers	6	(679,406)	(90,688)
Administrative expenses	7	(88)	(5,166)
		<hr/>	<hr/>
Total Disbursements		(2,722,243)	(1,948,940)
		<hr/>	<hr/>
Net withdrawals from dealings with members		(1,722,243)	(881,020)
Returns on investments			
Investment income	8	821,854	789,965
Investment management fees	9	(332,756)	(252,115)
Change in value of Bulk Annuity Policy	10	717,000	(31,000)
Change in value of AVC investments	10	-	1,013
Change in market value of other investments	10	12,536,591	13,413,699
		<hr/>	<hr/>
Net returns on investments		13,742,689	13,921,562
		<hr/>	<hr/>
Net increase in the fund during the year		12,020,446	13,040,542
Net assets at 1 January		97,531,229	84,490,687
		<hr/>	<hr/>
Net assets at 31 December		109,551,675	97,531,229
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 20 to 33 form part of these financial statements.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Net Assets Statement

	Note	2020 £	2019 £
Investment assets			
Pooled investment vehicles	10	99,733,784	88,325,819
Insurance policies	10	9,887,000	9,170,000
AVC investments	10	35,627	35,627
Total net investments	10	109,656,411	97,531,446
Current assets	11	80,631	177,066
Current liabilities	12	(185,367)	(177,283)
Net assets		109,551,675	97,531,229

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report and actuarial certificate included in the Annual Report and these accounts should be read in conjunction with them.

The notes on pages 20 to 33 form part of these financial statements.

The financial statements on pages 18 to 33 were approved by the Trustees on 20 July 2021

Signed on behalf of the Trustees

DocuSigned by:

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Julian Jones

Trustee

Date: 20 July 2021

The Institute of Physics Retirement Benefits Plan (1975) Annual Report for the year ended 31 December 2020

Notes to the Financial Statements

1. General information

The Institute of Physics Retirement Benefits Plan (1975) (the “Scheme”) is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to certain groups of employees within the Institute of Physics group. The address of the Scheme’s principal office is 37 Caledonian Road, London, N1 9BU. The Scheme is a defined benefit scheme which is no longer open to new members and was closed to future accrual on 30 June 2015 with all future pension benefits provided by the Institute’s group personal pension. Employed members continue to benefit from salary increases where this is greater than deferred pension revaluation. The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Financial Statements and a Statement from the Auditor) Regulations 1996, the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidelines set out in the Statement of Recommended Practice, “Financial Reports of Pension Schemes”, revised in 2018 (“the SORP”).

3. Accounting policies

The principal accounting policies are set out below.

a) Accruals concept

The financial statements have been prepared on an accruals basis with the exception of individual transfers, which are recognised when received or paid.

b) Valuation of investments

Investments are included at their market values, provided by the investment managers, which are determined as follows;

- (i) Quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant exchange.
- (ii) Pooled investment vehicles are valued at bid market prices at the year-end date, where available, or at net asset value.
- (iii) Other unquoted investments are included at fair value based on valuations provided by fund managers or third-party agents, on the basis of latest dealings, professional valuations and financial information at the year end.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Valuation of investments (continued)

The additional voluntary contribution (AVC) investments include policies of assurance underwritten by The Prudential Assurance Company Limited. The market value of these policies of assurance has been taken as the surrender values of the policies at the year end, as advised by the underwriter.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Investments in overseas currencies are translated into Sterling at the rates ruling at the year end.

The Trustees have purchased a bulk annuity policy with Legal & General as an investment to match a substantial part of the benefits of members who were in receipt of Scheme benefits before 10 August 2010. The annuity policy is in the name of the Trustees and represents an asset of the Scheme. Members continue to receive their pensions directly from the Scheme as before, with the Trustees being paid the annuity proceeds each month by Legal & General.

The annuity policy has no market value and cannot be surrendered for cash. However, the Trustees have decided to include the policy in the Fund Account and in the summary of investments (Note 10) at a value advised by the Scheme Actuary. He has recommended a value of £9,887,000, which represents the present value of future payments from the policy based on assumptions that are consistent with those used in the Actuarial Valuation of the Scheme as at 31 December 2019.

The value of the annuity policy, for the purposes of these Accounts, will change from year to year in line with the age and life expectancy of the members that are covered, and with changes in the financial assumptions used to value the proceeds for those members.

c) Contributions and benefits

Employer deficit contributions are accounted for on an accruals basis on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

Employer additional and augmentation contributions are recognised on receipt.

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where the member has a choice about the form of their benefit it is accounted for when the member notifies the Trustees of their decision as to what form of benefit they will take.

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

d) Transfers

Individual transfer values to and from other pension arrangements are accounted for when received or paid.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

e) Investment income

Interest from fixed interest, index-linked securities, cash and short-term deposits is accounted for on an accruals basis. Income from annuities is recorded as investment income.

f) Administrative expenses and investment management expenses

The majority of administrative expenses are met by the Principal Employer and this includes the PPF levy.

Investment management expenses are accounted for on an accruals basis and are paid for by the Scheme.

4 Contributions	2020	2019
	£	£
Contributions from employer:		
Deficit	1,000,000	1,000,000
Augmentation	-	67,920
Total contributions	1,000,000	1,067,920

Contributions unpaid at the year-end totalled £nil. All payments within the year were received within the timescale required by the schedule of contributions.

Deficit contributions are £83,333 per month to fund the Scheme's funding shortfall and will be payable until 30 June 2025 under the schedule of contributions certified by the actuary on 8 March 2021.

The Institute has agreed to pay additional contingent contributions to the Scheme as set out in the table below based on certain conditions being met at each assessment date:

Assessment date	Due date of payment	Contribution
30 June 2021	30 September 2021	£1,500,000
30 September 2022	31 December 2022	£1,500,000
30 June 2024	30 September 2024	£2,000,000

The conditions to confirm whether the additional contingent contributions are paid into the Scheme on each of the above dates are as follows:

1. The Institute has sufficient funding to meet the commitments of the Institute's 5-year financial plan in force at the assessment date.
2. The Institute must meet the needs of the Institute's reserve policy in force at the assessment date.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

4. Contributions (continued)

The responsibility for determining whether the two conditions are met rests with the Council of the Institute. If either of the above conditions are not met, the Institute will instead pay an additional contribution equal to the affordable excess as determined by Council. Any difference between the amount paid into the Scheme and that set out in the table above will be made up over the period to 30 June 2024 subject to sufficient funds being available.

5 Benefits	2020	2019
	£	£
Pensions	1,957,068	1,809,236
Commutations and lump sum retirement benefits	85,681	18,012
Taxation where lifetime or annual allowance exceeded	-	25,838
	<hr/>	<hr/>
	2,042,749	1,853,086
	<hr/> <hr/>	<hr/> <hr/>

As explained on page 6 of the Trustees Report, 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. In November 2020 there was a further judgement relating to this case relating to the equalisation of past individual transfers out of pension schemes. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

Under the rulings schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

6 Payments to and on account of leavers	2020	2019
	£	£
Transfers to other schemes	679,406	90,688
	<hr/>	<hr/>
	679,406	90,688
	<hr/> <hr/>	<hr/> <hr/>

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

7	Administrative expenses	2020	2019
		£	£
	Bank charges	88	106
	Tax charges	-	5,060
		<hr/>	<hr/>
		88	5,166
		<hr/> <hr/>	<hr/> <hr/>
8	Investment income	2020	2019
		£	£
	Bulk annuity instalments from Legal & General	821,854	789,965
		<hr/>	<hr/>
		821,854	789,965
		<hr/> <hr/>	<hr/> <hr/>
9	Investment management fees	2020	2019
		£	£
	Investment management fees	332,756	252,115
		<hr/>	<hr/>
		332,756	252,115
		<hr/> <hr/>	<hr/> <hr/>

These investment management fees are charged directly against the value of investments during the year either by netting off against contributions for purchases or by sale of units.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments	2020	2019
	£	£
Pooled investment vehicles		
Unit trusts other than property	99,733,784	88,325,819
Value of Bulk Insurance Policy	9,887,000	9,170,000
AVC investments	35,627	35,627
	<hr/>	<hr/>
Market value at 31 December	109,656,411	97,531,446
	<hr/> <hr/>	<hr/> <hr/>

Legal & General Investment Management is registered in the United Kingdom, Northern Trust is registered in Guernsey Channel Islands. The pooled investment vehicles are all authorised unit trusts.

Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect transactions costs is not separately provided to the Scheme.

The movements in total investments during the year were as follows:

	2019	Purchases	Sales	Change in Market Value	2020
	£	£	£	£	£
Pooled investment vehicles					
Equities	18,738,935	-	-	1,174,479	19,913,414
Diversified growth funds	16,788,770	-	(679,491)	1,340,708	17,449,987
Broad Opportunities Fund	16,722,073	-	(149,135)	29,175	16,602,112
Liability driven instruments	26,897,492	-	(3,369,903)	9,234,917	32,762,505
Sterling Liquidity Fund	-	3,069,903	-	5,758	3,075,661
Illiquid and private markets	9,178,549	-	-	751,555	9,930,104
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	88,325,819	3,069,903	(4,198,530)	12,536,591	99,733,784
AVC investments	35,627	-	-	-	35,627
Insurance Policies	9,170,000	-	-	717,000	9,887,000
Total investments	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	97,531,446	3,069,903	(4,198,530)	13,253,591	109,656,411

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

a) AVC investments

The Trustees hold assets which are separately invested from the main fund, in the form of individual insurance policies. These 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 the movements during the year. The total amount of AVC investments at the year-end is shown below.

	2020	2019
	£	£
Prudential Assurance Co. Ltd	35,627	35,627

The movements in AVC assets during the year were as follows:

	2020	2019
	£	£
Value at 1 January	35,627	34,614
Net change in value	-	1,013
	<hr/>	<hr/>
Value at 31 December	35,627	35,627
	<hr/> <hr/>	<hr/> <hr/>

b) Changes in value of the Annuity policy

The value of the Annuity Policy has been updated to 31 December 2020 by the Scheme Actuary. The value recommended of £9,887,000, an increase of £717,000, is the value of the expected future cash-flows from the policy at that date, based upon assumptions consistent with the Trustees' stated policy for funding the Scheme.

The policy value at 31 December 2020 has used the financial assumptions agreed by the Trustees for the actuarial valuation as at 31 December 2019, with allowance for changes in the financial markets to the effective date, in particular the assumption used for the discount rate after retirement. The policy value at 31 December 2019 used the financial assumptions used in the actuarial valuation as at 31 December 2016, the last triennial valuation, updated with allowance for changes in financial markets to the effective date. This has been the primary driver in the increase of the value, offset by benefit payments during the year.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

c) Fair value determination

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

Level 1	The unadjusted quoted price for an identical asset or liability in an active market at the reporting date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) 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.

	At 31 December 2020			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	89,803,680	9,930,104	99,733,784
Insurance policies	-	-	9,887,000	9,887,000
AVC investments	-	35,627	-	35,627
	<u>-</u>	<u>89,839,307</u>	<u>19,817,104</u>	<u>109,656,411</u>

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	79,147,270	9,178,549	88,325,819
Insurance policies	-	-	9,170,000	9,170,000
AVC investments	-	35,627	-	35,627
	<u>-</u>	<u>79,182,897</u>	<u>18,348,549</u>	<u>97,531,446</u>

d) 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.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

d) Investment risks (continued)

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 Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. Credit risk is measured by considering the credit rating of the Scheme's investments. Market risk is measured by considering the value of the Scheme's investments exposed to the risk. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

e) Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustees set the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Institute. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy per the SIP dated August 2020 is:

20% in equities, 32% in diversified growth funds, 38% in LDI and 10% in illiquid/private markets.

Alongside this strategy the SIP is clear that there is a desire and a need to retain flexibility. The Trustees will hold cash to the extent that they consider necessary to manage the liquidity risk of the Scheme and to meet impending anticipated liability outflows.

Any excess funds are to be invested in-line with the target allocation.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

f) Credit risk

The Scheme has exposure to indirect credit risk, through the LDI policies held. This could arise through the default of various counterparties. However, the risk is viewed as minimal due to the protections put in place by the investment manager. Direct credit risk exposure through the use of pooled investment vehicles is mitigated because the assets of those vehicles are ring fenced from those of the asset manager.

The BMO LDI funds invest in fixed and inflation-linked securities. The financial strength of a company or government issuing the fixed interest security determines their ability to make some or all of the payments due. If this financial strength weakens, the chances of them not making payments increases, and this will reduce the fund's value.

The BMO LDI funds use derivatives for leveraging purposes, to increase the interest rate and inflation exposure the Scheme. If the counterparty to the derivatives was to default on its obligations, then this could incur a financial loss to the Scheme. This risk is mitigated through the use of collateralisation, so the derivative positions are balanced on a daily basis.

The Scheme invests in multi-asset funds with Insight (Broad Opportunities Fund) and Schroder (Intermediated Diversified Growth Fund) as well as Partners (Partners Fund). These make use of derivatives in order to increase diversification within the fund and reduce overall risk. The allocation to these derivatives will change, depending on underlying market factors and analysis carried out by the investment managers. In either case, the use of derivatives is at the managers' discretion. The Trustees are fully aware of this active management and are comfortable with this delegation to the investment managers.

Several of the derivatives used had exposure to credit risk during the course of the year. However, due to the components of the multi-asset fund and the level of diversification achieved, the overall level of risk is largely mitigated through counteracting derivatives. The Trustees review the strategies employed by the managers as part of their ongoing monitoring of the fund.

The LGIM Sterling Liquidity Fund is subject to credit risk as some of the underlying assets are exposed to counterparty risk.

The Scheme's total exposure to credit risk as at the end of the accounting period was c. £99.7m (2019:c.£69.6m).

g) Currency risk

The LGIM Global Equity Fund holds assets in currencies that are not denominated in sterling. If the value of these currencies falls compared to sterling this may cause the fund's value to go down. Some funds may employ currency hedging as a means of protecting the fund's value against currency movements. In extreme market conditions, the hedge may not be perfect and the funds may be exposed to currency changes.

The investments of the multi-asset managers (Insight and Schroder) and Partners (the Partners Fund) expose the Trustees to currency risk. However, due to the components of the multi-asset funds and the level of the diversification achieved, the overall level of risk is largely mitigated through counteracting derivatives.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

g) Currency risk (continued)

The Scheme's total exposure to currency risk as at the end of the accounting period was c.£63.9m (2019: c.£61.4m.)

h) Interest rate risk

The Scheme's investments have exposure to interest rate risk. Around 33% (2019: 30%) of the total assets are held in LDI funds. The value of these funds is driven by movements in interest rate and inflation rate expectations. The BMO LDI fund uses derivatives for leveraging purposes to increase the interest rate and inflation exposure of the Scheme. This is a deliberate position taken by the Trustees in order to gain increased exposure to interest rate movements.

The objective of this exposure is to mitigate the impact of adverse movements in the Scheme's liabilities caused by changes in interest rates. The allocation and duration of these funds have been deemed appropriate by the Trustees, given the profile of the liabilities of the Scheme and after receiving investment advice.

The multi asset strategies (Insight and Schroder) and the Partners Fund are subject to interest rate risk derived from investments in fixed income securities. As the Insight and Schroders strategies form part of the return seeking assets of the Scheme, interest rate risk is actively managed in order to optimise the risk/return profile of the portfolio. Interest rate exposure may be tactically mitigated by the use of interest rate derivatives.

Several of the derivatives used within the multi-asset funds had exposure to interest rate risk during the year. However, due to the components of the multi-asset fund and the level of the diversification achieved, the overall level of risk is largely mitigated through counteracting derivatives. This exposure is a deliberate and calculated action taken by the manager as a means to generate additional returns through expected interest rate movements and to increase diversification within the fund. The Trustees review the strategies employed by the manager as part of their ongoing monitoring of the Scheme.

The LGIM Sterling Liquidity Fund is subject to interest rate risk through exposure to short dated commercial and government paper.

The Scheme's total exposure to interest rate risk as at the end of the accounting period was c.£79.8m (2019: c.£69.6m)

i) Other price risk

The Scheme has exposure to inflation risk as investments are held in real LDI funds. The objective of this exposure is to mitigate the impact of adverse movements on the Scheme's liabilities due to changes in expected future inflation.

The Scheme also invests in equities (shares of companies), so there is a high risk of the fund's value being volatile (i.e. going up and down) than with a Fund which invests in most other asset types, particularly in the short term. The fund has some investment in equities issued by smaller companies. These investments tend to be riskier than investments in larger companies, because they may be harder to buy and sell making their price may be more volatile - particularly in the short term.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

i) Other price risk (continued)

There are a number of other risks that the Scheme is exposed to due to the nature of its investments. These include counterparty risk and liquidity risk within the multi-asset funds. These risks are considered to be secondary risks and are not as material to the Scheme as those described above. The Trustees are comfortable that the managers have sufficient internal controls to manage these secondary risks. The Trustees review the managers and internal risk measures as part of their ongoing monitoring.

The private markets fund (Partners Group) may suffer from market, liquidity and valuation risks due to the nature of this type of investment.

The Scheme's total exposure to other risk at the end of the account period was c.£96.7m (2019: c£88.3m)

j) Applicability of risk factors

Risk exposures over combined period are shown below. The value of each fund is noted in the Investment Report.

	Credit risk	Currency risk	Interest- rate risk	Other price risk
LGIM IOP BMO Nominal Dynamic LDI	●	○	●	●
LGIM IOP BMO Short Profile Real Dynamic LDI	●	○	●	●
Global Equity Market Weights 30:70 Index Fund	●	●	○	●
LGIM PMC Schroder Life Int Div Growth Fund	●	●	●	●
LGIM PMC Insight Broad Opportunities Fund	●	●	●	●
Sterling Liquidity Fund	●	○	●	○
Partners Funds	●	●	●	●

● - risk exists ○ - no risk or hardly any

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

10 Investments (continued)

k) Concentration of investments

The following investments accounted for more than 5% of the Scheme's net assets:

	2020	
	Market value	
	£	%
Institute of Physics L&G Global Equity Market	19,913,414	18%
LGIM PMC Schroder Life Int Div Growth Fund	17,449,987	16%
LGIM PMC Insight Broad Opportunities Fund	16,602,112	15%
LGIM IOP BMO Nominal Dynamic LDI	18,863,253	17%
LGIM IOP BMO Short Profile Real Dynamic LDI	13,899,252	13%
Insurance Annuity	9,887,000	9%
Partners Fund GBP Partners E	8,811,815	8%

	2019	
	Market value	
	£	%
Institute of Physics L&G Global Equity Market	18,738,935	19%
LGIM PMC Schroder Life Int Div Growth Fund	16,788,770	17%
LGIM PMC Insight Broad Opportunities Fund	16,722,073	17%
LGIM IOP BMO Nominal Dynamic LDI	16,295,568	17%
LGIM IOP BMO Short Profile Real Dynamic LDI	10,601,924	11%
Insurance Annuity	9,170,000	9%
Partners Fund GBP Partners E	8,145,192	8%

11 Current assets	2020	2019
	£	£
Cash deposits	80,631	177,066
	<hr/>	<hr/>
	80,631	177,066
	<hr/> <hr/>	<hr/> <hr/>

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Notes to the Financial Statements (continued)

12 Current liabilities	2020	2019
	£	£
Accruals and deferred income	185,367	177,283
	<hr/>	<hr/>
	185,367	177,283
	<hr/> <hr/>	<hr/> <hr/>

13 Related party transactions

Mr J Brindley and Mr M Bray, Trustees of the Scheme during the year, were in receipt of pension benefits during the year.

During the year, in accordance with the Schedule of Contributions, the participating employer, the Institute of Physics met administrative expenses on behalf of the Scheme. These are shown below:

	2020	2019
	£	£
Independent Trustee	15,741	16,097
Pension Protection Fund Levy	31,376	33,135
Pension administration and advice	274,752	204,239
	<hr/>	<hr/>
	321,869	253,471
	<hr/> <hr/>	<hr/> <hr/>

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Statement of Trustees' Responsibilities in Respect of Contributions

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the minimum rates of contributions payable towards the Scheme by or on behalf of the Institute and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Institute in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Trustees' Summary of Contributions Payable Under the Schedule in Respect of the Scheme year ended 31 December 2020

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the actuary on 6 October 2017 in respect of the Scheme year ended 31 December 2020. The Scheme auditor reports on contributions payable under the schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year

	£
Employer:	
Deficit	1,000,000
Contributions payable under the Schedule (as reported on by the Scheme auditor)	1,000,000
Total contributions payable to the Scheme	1,000,000

Signed on behalf of the Trustees on: 20 July 2021

DocuSigned by:

 F6393E194176435...
 Julian Jones
 Trustee
 Date: 20 July 2021

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Independent Auditor's Statement about Contributions to the Trustees of the Institute of Physics Retirement Benefits Plan (1975)

Statement about contributions

We have examined the Summary of Contributions to The Institute of Physics Retirement Benefits Plan ('the Scheme') for the year ended December 2020 on page 34.

In our opinion, contributions for the year ended 31 December 2020, 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 Scheme Actuary on 6 October 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 Scheme and the timing of those payments under the Schedule of Contributions.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 34, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

Auditor's responsibilities for the preparation of a Statement about Contributions

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

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Independent Auditor's Statement about Contributions to the Trustees of the Institute of Physics Retirement Benefits Plan (1975) (continued)

Use of our report

This statement is made solely to the Scheme's Trustees, 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 audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our audit work, for this statement, or for the opinions we have formed.

DocuSigned by:
BDO LLP
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BDO LLP
Statutory auditor
Bristol
United Kingdom

Date 22 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Actuary's Certification of Schedule of Contributions

Institute of Physics Retirement Benefits Plan (1975) ("the 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 2019 to be met by the end of the period specified in the recovery plan dated March 2021.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, the schedule of contributions is consistent with the Statement of Funding Principles dated March 2021.

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

Signature: **R J Hough**
Name: **R J Hough**
Date: **8 March 2021**
Qualification: **Fellow of the Institute and Faculty of Actuaries**
Name of Employer: **XPS Pensions Consulting Limited**
Address: **Phoenix House
1 Station Hill
Reading
Berkshire
RG1 1NB**

The Institute of Physics Retirement Benefits Plan (1975) Annual Report for the year ended 31 December 2020

Compliance Statement

Constitution

The Scheme was established on 1 July 1975 and is governed by a definitive trust deed dated 29 March 2006. The Scheme was closed to new members with effect from 31 December 2001 and the Scheme was closed to future accrual on 30 June 2015.

The Registration number in the Register of Occupational and Personal Pension Schemes is 10099901.

Taxation status

The Scheme is a registered Pension Scheme.

Pension increases

Pensions in payment accrued in respect of service prior to 1 January 2001 increase at 5% p.a., pensions in payment accrued between 1 January 2001 and 31 December 2005 increase in line with the RPI, subject to a maximum of 6.5% p.a., whilst pensions in payment accrued on or after 1 January 2006 increase in line with the RPI, subject to a maximum of 2.5%. No increases are discretionary.

In accordance with the Deed and Rules of the Scheme, deferred pensions will be re-valued during the period before they are brought into payment.

Calculation of transfer values

No allowance is made in the calculation of transfer values for discretionary pension increases.

Registrar of Occupational and Personal Pension Schemes

The Registrar's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and Trustees. To trace a benefit entitlement under a former employer's Scheme, enquiries should be addressed to:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

The information provided include details of the address at which the Trustees of a pension scheme may be contacted. This Scheme has been registered with the Registrar.

The Institute of Physics Retirement Benefits Plan (1975)
Annual Report for the year ended 31 December 2020

Compliance Statement (continued)

The Pensions Advisory Service (TPAS)

The Institute has an Internal Dispute Resolution Procedure and any concern connected with the Scheme should be referred to Paul Hardaker at The Institute of Physics, 37 Caledonian Road, London N1 9BU, who will try to resolve the problem as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their Scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Advisory Service (TPAS). A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, TPAS can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB
Telephone: 0800 011 3797
Website: www.pensionadvisoryservice.org.uk

The Pensions Ombudsman (TPO)

In cases where a complaint or dispute cannot be resolved, normally after the intervention of TPAS, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

Pensions Ombudsman Service
10 South Colonnade
Canary Wharf
London E14 4PU
Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk