Minutes of SUSS Annual Members Meeting
11.00am on Friday 1st March 2019
Held at Birmingham Guild of Students

Present	Peter Shilton Godwin	PSG	Trustee & Meeting Chair
	Susan Andrews	SJA	Representing Ross Trustees, Chair of Trustees
	David Malcolm	DM	Trustee
	Nick Gash	NG	Trustee
In Attendance	Paul Hamilton	PH	Actuary, Barnett Waddingham LLP
	Matt Tickle	MT	Investment Consultant, Barnett Waddingham LLP
	Jonathan Hazlett	JH	Legal Adviser, Osborne Clarke
	Vicii Kirkpatrick	VK	NUS Principal Employer
	Clare Kember	CK	Secretary to the Trustees, Ross Trustees Services Ltd

Members Present There were 55 people present, representing 45Participating Employers.
See Appendix A for a list of the attendees and apologies received.

AGM/2019/1	Chair's Opening Remarks
	PSG welcomed everyone to the meeting, thanking those present for their continued engagement and support during particularly challenging times. PSG introduced the Trustees as well as their advisers and NUS representative. PSG asked whether the minutes of the meeting held 2 May 2018 on were a true and accurate record and it was **AGREED** that they were and were accepted as such. PSG introduced SJA, Chair to the Trustees, to present the Summary of the Year.
AGM/2019/2	**Summary of the Year** SJA confirmed to the meeting that the Trustees normally refer back to the strategy the Trustees set themselves in 2014 and provide an update on progress. This year the focus has very much been on the pension increases issue, and working with the NUS to find a way of resolving the problem. Therefore it is appropriate that a large part of this meeting is dedicated to bringing you up to date on where we are and next steps. It was confirmed that aside from the issue with Pension Increases, SUSS has been continuing to invest the assets, pay benefits and comply with all its legal requirements as part of the "Business as Usual" operations. SJA provided a summary of the Scheme strategy noting that the funding of SUSS is calculated by taking the value of the liabilities, adding expenses and deducting the assets held. It was noted that the liabilities are calculated using data about SUSS beneficiaries (who they worked for, length of service, salary, age, marital status etc) and applying this data to the benefits that were promised. The Trustees have previously carried out an exercise to ensure the data we hold about our members is as accurate and complete as possible; however, this is an ongoing process and information needs to be refreshed regularly. As part of the exercise to ensure that the Scheme is administered in accordance with the Trust Deed and Rules, the Trustees had discovered on the documents available, the intention in 1988 to reduce increases to pensions in payment (from 7% to 3%) was not implemented properly; this is the pension increase issue. Other than this issue, The Trustees are satisfied that the Scheme is paying the promised benefits. SJA confirmed that whilst the Trustees (and NUS) are seeking to resolve the problems with pension increases, no changes have been made to the benefits members are receiving, and, the employers are not

	being asked for increased contributions at this time. Once the way forward has been agreed and implemented, an assessment of the impact can be determined and considered. There is an actuarial valuation with an effective date of June 2019, and the Trustees will be considering the position as part of that process. Valuing the liabilities, SJA confirmed that the actuarial valuation will use assumptions to map out all future benefit payments and these are discounted to the valuation date using gilt yields as a proxy for interest rates. In 2018, it was explained that a 1% move in gilts yields impacts the valuation of liabilities by around £45,000,000. Further, the Trustees have previously explained about Liability Driven Investment to hedge out some of this risk and therefore have increased the level of the hedge over the past year. SJA advised that as a general rule, the benefits payable to members are those set out in the rules and the Trustees must administer SUSS on that basis. However, in certain circumstances, members can agree to change the shape of their benefits, or transfer their benefits to another authorised pension arrangement. In addition, where pensions are very small, they can be fully commuted for a lump sum (trivial commutation). For detailed technical reasons, where members take a trivial commutation, this benefits the funding of SUSS, as when the Trustee funds for benefits, a level of prudence must be included within the assumptions. If the benefit is trivially commuted, the Scheme no longer needs to reserve for that prudence and it can be released. Prudence is also released if a member transfers out of SUSS, and some schemes are considering or implementing the transfer option at retirement. Similarly, with a pension increase exchange whereby an increase promised on a pension is exchanged for a one off lump sum. These are issues that the Trustees are considering for the future, although no decisions have yet been made. SJA confirmed that the Trustees monitor expenses closely to ensure the Scheme gets value for money and is run on a lean basis. The Scheme has a member website to save adviser costs, but to date traffic has been light. SJA confirmed that David Malcolm has been working on a new site for employers where relevant information can be found and briefing papers. That site is going live within the next few weeks and employers will be sent details of how to access the site in due course. SJA advised that the PPF levy is an item of expense which is re-charged to Participating Employers. The basis of the recharge is by reference to each Employer's Risk Factor. There are measures that employers can take to ensure their Experian score is as good as it can be, and the Trustees have previously issued general guidance on this. However, this is an issue for employers and the guidance the Trustees can provide is generic. It was confirmed that once the Trustees have further detail around the 2019/20 levy we will circulate a note on this. SJA reminded the meeting that SUSS re-opens annually to allow Unions to incorporate. Last year there were no incorporations, so the process did not run. The aim of the Trustees is to try and gather all Unions wishing to incorporate and run a combined process to streamline matters and to save costs. SJA confirmed that notice will be sent to all Unions post the meeting, however the Scheme will re-open from 1 July to 27th September 2019; all Unions should notify the Trustees as soon as possible if they wish to incorporate in 2019, and by the latest by 14th June 2019. SJA advised that it is extremely important that Unions let the Trustees know of any intention to incorporate and that you follow the guidance provided. The process developed and used successfully for a number of years ensures that Unions do not inadvertently trigger a full buy out debt for your employer. The Trustees do not have a choice about imposing this debt. It is a statutory obligation. The meeting were advised that the challenging markets of last year have continued and as previously explained, the Trustees have reviewed our investment strategy and included some illiquid strategies which target higher returns. However, the assets continue to perform reasonably and in the year to June 2018 returned 3.5% which is broadly in line with the assumptions we used in the Actuarial Valuation.

	SJA advised that the assets of SUSS include the future contribution stream payable by participating employers. This is a key asset for SUSS as any deficit is "repaired" by investment return and future contributions. It was noted that the Trustees have done a lot of work to better understand the strength and depth of this future income stream. Sponsor risk is a key part of the Scheme's Risk Register and is one of the three strands of the Integrated Risk Management deployed when making decisions about SUSS. It has been a discussion topic at Trustees' meetings for some time. The review and oversight covers identifying across the life of SUSS, who is a "Statutory Employer" that is legally responsible for funding SUSS. The Trustees commission covenant assessments at each triennial valuation on all participating employers. The NUS, as Principal Employer and on behalf of all employers, attends all trustees' meetings. The Trustees monitor disaffiliations from NUS where that member is also in SUSS, and are notified of all changes in Experian Ratings. Covenant reviews are carried out by KPMG, and feed into the Actuarial Valuation assumptions and the future contribution rate. There are two parts to the review. The first is to consider the strength of the organisation and its longevity. The second part of the review considers affordability of the contributions; ie what level of contributions can that employer afford. Recent events affecting some of the SUSS employers and the higher education sector more generally have been a cause for concern to the Trustees; and therefore the Trustees brought forward the covenant assessment for all employers within SUSS, and KPMG are in the process of analysing the information received. Such a review is already carried out this process for the actuarial valuation, and a further review was thought vital for the Trustees continued understanding of the covenant support for SUSS. This year, the Trustees have added a "look-through" sector analysis to the review in recognition of the dependence of Unions on their Parent Institution. The Trustees are aware of the issues currently being faced by the NUS. The NUS has commissioned a Business Review and shared the outcome of that review with the Trustees and the Trustees' advisers. The Trustees' advisers are in the process of analysing the data collected for all employers including NUS and will be reporting to the Trustees in the coming weeks. The SUSS Trustees have a close working relationship with NUS, with NUS attending all Trustees meetings. In that spirit of collaboration and understanding the Trustees are working with Peter Robertson and his colleagues to ensure SUSS is protected as far as possible. The covenants supporting SUSS will remain a key concern for the Trustees and a major risk on our Risk Register. SJA advised the meeting that there is currently a vacancy for an Employer Nominated Trustee and so if there is anyone interested in the role, the Trustees would be happy to explain a bit more about what is involved. The Trustees continue to engage with BUFDG as a way to help University Finance Directors understand a bit more about SUSS and the issues being faced. The Trustees held specific meetings this year on the pension increase issue in the hope that the conversations Unions are having with their parent institutions will be anticipated and hopefully, better understood. In summary, SJA advised that this has been a very challenging and busy year. The pension increase issues has been very much at the forefront of the Trustees' minds and they have been working hard with the NUS towards a resolution. The "Business As Usual" for SUSS has continued and the Trustees have a clear focus to continue to get the best out of the assets and to understand better the covenant supporting SUSS and how that is changing. The Trustees keep expenses firmly under control; and continue to work with NUS in its role as Principal Employer to resolve the pension increase issue.

AGM/2019/3	**Funding and Investment Strategy – MT and PH**
	MT provided an investment update over the year, including a brief market update. MT confirmed that to match the life of a pension scheme, the asset returns are looking for strong, steady returns over the long term; consideration is also given as to whether the overall portfolio is keeping track with the return assumed as part of the Actuarial Valuation. Broadly speaking they are best estimate assumptions; and as of today, the assets have generated returned as expected (and as assumed for within the Recovery Plan 3 years ago). MT summarised the asset allocation; highlighting key changes made to the LDI portfolio, and the allocation made to the Partners Fund. In terms of horizon watching, the Trustees remain concerned around Brexit, but more specifically trade wars. Once the outcome of the pension increase issue is known, and in line with the Actuarial Valuation, the Trustees will be undertaking an investment strategy review. In turn, following new DWP guidelines on Environmental, Social and Governance ("ESG"), the Trustees will also be considering whether ESG is financially material to their portfolio and whether their investment managers are approaching the same responsibly. PH provided a brief summary on Funding, confirming that with the next Actuarial Valuation due as at 30 June 2019, from a funding perspective there is greater concern around the results of Brexit given the result will have a direct impact on liabilities. It was noted that the funding level and deficit has been relatively stable over the last few years, largely due to positive returns from the investment portfolio. PH provided a summary of the PPF Levy which for 2018/19 was £876,000 (£327,000 for 2017/18), this will be claimed from employers in the March direct debits. A summary was provided of when the Experian scores apply and how they affect the levy; PH advised that the Trustees have been advised by Experian that some Union accounts are missing and therefore Unions should review Experian to ensure that the same is up to date.
AGM/2019/4	**Questions** **Sophie Williams – Worcester:** Why did Experian consider a much shorter timeframe in 2018/19 than previous years? PH advised that simply Experian adopted a new approach, it is therefore important that Employers ensure at all times that their accounts etc are filed regularly and anything adversely affecting their Experian score is considered in short order. **Helen Bristow - Oxford Brookes**: Has the Trustees' liaison with BUFDG been successful as our own finance director seems to have little comprehension of the pension increase issue. NG advised that the meeting was attended by not only BUFDG Officers but also a handful of finance directors. BUFDG seemed to have an understanding of the issue and following the meeting, circulated a note to all finance directors on the pension increase issue **Lynsey Lloyd – Plymouth**: What period will the PPF be using for the 2019/20 levy? PH believe it will revert to the year April to March, rather than the shortened period adopted in 2018/19. **Mark Crook – Warwick:** we have recently been notified that our Experian score has dropped; and following submission of our response to the covenant request, it is possible that submissions made will change given the potential cut in block grants; how can this be fed back into the covenant review; can changing information be fed into the process? SJA confirmed that the current covenant review is also looking at the sector as a whole, including the way Experian view and score the sector. The current review will be refreshed again as at the Valuation date and therefore Unions can re-submit data at that point. PSG commented that the Trustees continue to maintain

	good relationships with employers, and therefore if there are any significant changes, Unions should advise the Trustees accordingly. **Tim Cave - UEA:** Will individual Unions receive any feedback from the covenant review, do Unions get any feedback SJA confirmed she would review with KPMG, as on a 'normal' Scheme when a covenant review is undertaken, the covenant advisers would undertake a factual statement review with the employer to ensure it was correct. However given the number of employer's involved here she would check with KPMG what was/wasn't possible. **Matt Robinson – Manchester Met**: What is the position if individual Unions wish to explore liability management exercises for their own members and/or orphan liabilities. SJA advised that this may be difficult on a Union by Union basis given some members may have multiple periods of service in different employers, and therefore their benefits would need to be split. In any event, no liability management exercise will be undertaken until the 7% issue has been resolved; JH confirmed that the Trustees will be considering further a PIE exercise (after the 7% issue has been resolved). The Trustees are not able to encourage members to transfer out; if however an employer wishes to explore this further (at their own expense) they should contact the Trustees. **Ken Sankson – Staffs:** : if a Union were to incorporate in 2019 without following the approved process, and triggered a s75 debt; would a Union know in advance what their s75 debt is? PH & JH advised that Unions can ask for details of their s75 debt, however the figure given will be that calculated as part of the 2016 valuation, and would not, at this time, include an allowance for market movements nor the 7% issue. If a Union did not follow the incorporation process, yes this would trigger a s75 debt; this debt would be calculated on the date of incorporation, and would be notified to both TPR and PPF as such action could trigger the entry of that Union into the PPF. **Linda Stott - UCLAN;** What is the covenant impact on Unions disaffiliations? SJA advised that the Trustees concern is principally disaffiliations will weaken the NUS covenant; if the NUS covenant weakens, that may in turn impact not only individual Union covenant's but also, given the collective nature of the Scheme, all participating employers more generally. DGM advised that from a governance perspective, disaffiliations will also lead to communication issues i.e. a disaffiliated Union would not be party to communication from NUS on Scheme related issues. **Nathan Townsend - Brunel:** Will the current covenant review also highlight mitigating actions Unions can take against weakening covenants? SJA confirmed that the SUSS covenant review cannot, as you would in a 'normal' scheme review things like guarantees and charges which are in place to provide security against risk. For SUSS where Unions receive their grants year on year, the Scheme must look at alternative ways of mitigating against covenant risk. JH advised that the Trustees will be looking at alternative methods to mitigate against risk, this may be by approaching parent institutions to see (although it is unlikely) whether they will stand behind the Union's debt.
AGM/2019/5	**Pension Increase Issue**
	VK reminded the meeting of the steps the employers have collectively taken over the last 12 months, including the various employer briefings held, and consultation which ultimately led the NUS to formally requesting in December 2018 that the Trustees pursue Option 3 (to amend the Rules with member consent), and also, so far as they are able, Option 5 (a potential professional negligence claim against Aviva, formerly Friends Life). JH referred the meeting to his presentation (which would be circulated after the meeting), reminding all that the content of the presentation was private and confidential, however it could be shared with SUSS

	participating unions' trustees, directors, officers and parent institution finance directors. JH reminded all that some information is legally privileged and therefore cannot be shared at this time. JH reminded all of the issue, and financial impact for SUSS, noting that the additional liability for the period 1 October 1981 to 30 September 1988 must be paid. The additional liability for the period 1 October 1988 to 31 December 1993 is the subject of the proposed member consent exercise. JH provided a summary of the NUS' proposal for the members affected by the purported retrospective amendment to pensions increases for the pension earned between 1 October 1981 to 30 September 1988, confirming that, as a result of the proposal, no member in this sub-set of members will be worse off than they currently are. It was proposed that the pension increases for this sub-set of members will be implemented on 1 October 2019 (at the end of the member consent exercise). JH confirmed that it was important to note that the Trustees have a discretion (in accordance with the Rules) as to how much back payments can be made, as these can be restricted to the last 6 years (with no interest applicable). The Trustees have made the decision that the full back payment will be made, and interest will be applied. This is considered fair and equitable given the amendment could never have been made. The second part of the NUS proposal relates to members with pensionable service between 1 October 1988–31 December 1993, noting that this affects two categories of members: deferred members who have not yet started their pension, and pensioners. The proposal is that all members will be offered a compromise of pension increases in line with RPI on all pension subject to a min 3% / max 7%, if they agree to give up the 7% increase that they are currently entitled to under the SUSS Rules. It is proposed that this would take effect from 1 October 2019. In respect of pensioners, it is proposed that they will receive 7% on excess pension and statutory increases on GMP for pensions in payment up and until 30 September 2019 (i.e. in line with what they should have been receiving under the SUSS Rules); therefore those members would be no worse off than if PPF assumed responsibility for SUSS. JH confirmed that the Trustees have taken a decision to treat the lump sum of back payments differently for this group of members. Given this is a windfall payment, the lump sum back payment would be made but with no interest applied. It was noted that this could reduce the additional liabilities from c. £48m to £25.2m which would be reflected in the 2019 valuation. The meeting noted the overall additional liabilities from the two proposals could be reduced from £48m to £25.2m (assuming all affected members agreed to the compromise). JH advised that the Trustees will only implement change if sufficient number of affected members (as measured by a % of liabilities) agree to the proposed change to the SUSS Rules. It is important that the proposed change is equitable to all and therefore the take-up of the proposal will be kept under review. JH provided a summary of how different categories of members would be affected by the proposed change, and explained that vulnerable members will be excluded from the exercise. JH clarified 22 November 2017 would be used as the effective date from which back-payments would be made, as this was the date that Leading Counsel advised the Trustees on the issue. JH explained that the proposed informed member consent exercise is heavily regulated and must comply with statutory and regulatory requirements; crucially adequate information must be provided to ensure a member is able to provide informed consent, affected members must be allowed to make representations / ask questions before giving consent. Members should be signposted to independent financial advice; consent must be expressly given and cannot be deemed or assumed. JH confirmed that the Trustees have formed a communications sub-committee with the NUS and pensions communications specialist, QuietRoom. The meeting noted the draft communication plan and indicative timelines (from June 2019 to August 2019, with members being notified of the outcome of the exercise in October 2019, at which point benefits would be adjusted); the Trustees will, in addition to their own communications, be issuing a draft template for Participating Unions to issue (if they wish to). To ensure consistency of message, that template should not be altered. JH confirmed that all stakeholders accept that this is an extremely complex message, which is why the Trustees have engaged pensions' communication specialist. JH provided a high level summary of the core story prepared, which will seek to explain to members the issue, and the proposed compromise, which is fair and makes SUSS sustainable, and that it reflects the purposes of pension increases (i.e. that pensions are protected against inflation), and is better than affected members were expecting.

	JH provided a brief update on the professional negligence against Friends Life, confirming that the standstill agreement has been extended to 27th July 2019; there are ongoing discussions with Friends Life in respect of annuitants secured with them. JH confirmed that the Trustees are actively reviewing a pension increase exchange exercise (post completion of the member consent exercise) and the possible alignment of pension increase dates (as SUSS makes pension increases on the anniversary of a member's retirement date, therefore it is not particularly cost effective), however this is not the time to undertake such an exercise but it will be considered again following the completion of the member consent exercise. JH confirmed that today's presentation will be circulated after today's meeting, together with an updated Employer Briefing note.
AGM/2019/6	**Questions**
	All questions raised have been incorporated within the separate FAQ document annexed to this minute
AGM/2018/7	**Closing Remarks**
	PSG thanked BUGS for again hosting the Annual Meeting, and thanked everyone for their time and contribution, confirming the Trustees appreciate the level of engagement from employers, confirm the Trustees will keep all appraised of developments. **The Meeting closed at 1.00pm**

APPENDIX A – ATTENDEES AND APOLOGIES

The following People representing 45 SUSS Participating Employers Attended the Meeting:

Attendee Name	**Representing**
Alex Hartley	Anglia Ruskin Students' Union
Angie Lefevre	BCUSU
Kayleigh Clydesdale	Beds SU
Janet Galligan	Bolton Students' Union
Christine Akers	Cardiff University Students' Union
John Abell	Coventry University Students Union
Liz Collins	Coventry University Students Union
Paula Heneghan	De Montfort Students Union
Kadiatu Songa	Greenwich Students' Union
Rebecca Hobbs	Hertfordshire Students Union
Claire Platts	Huddersfield
David Brown	Keele Students' Union
Xiaolei Xu	King's College London
Martin Rushworth	Leeds Beckett Students' Union
Ruth Dalton	Liverpool Hope Students' Union
Paul Chapman	Liverpool John Moores Students' Union
Paul Barlow	Loughborough Students' Union
Gary Chamberlain	Loughborough Students' Union
Trevor Page	Loughborough Students' Union
Matt Robinson	Manchester Met Students' Union

Louise White	Manchester Met Students' Union
Helen Bristow	Oxford Brookes Students' Union
Lynsey Lloyd	Plymouth University Students' Union
Dan Matthews	Plymouth University Students' Union
Gail Barclay	Reading
Michele Collie	Robert Gordon University
Judith Strike	Solent Students' Union
Kev Barry	Staffordshire University Students' Union
Ken Sankson	Staffordshire University Students' Union
Martin Caldwell	Swansea University
Alys Kaye	Swansea University
Jeremy Harvey	Trinity Saint David Students' Union
Lynda Stott	UCLAN Students Union
Tim Cave	UEA
Clodagh Kennedy	Ulster University Students' Union
Nathan Townsend	Union of Brunel Students
Richard Parkin	Union of Brunel Students
Jamie Stratton	Union of Kingston Students
Nick Bailey	University of Birmingham Guild of Students
Anne Elliott	University of Chichester Students’ Union
Paddy Reilly	University of East London Students' Union
Emma Boobyer	University of Gloucestershire Students' Union
Ben Ward	University of Manchester Students' Union
David Goodacre	University of Nottingham Students' Union
Michael Blades	UWE
Jacqui Clements	Warwick SU
Mark Crook	Warwick SU
Kate Dolan	Warwick SU
Sophie Williams	Worcester Students Union
Donna Smith	York St John
Pauline Barrow	York University Students' Union

Apologies

Attendee Name	**Representing**
Jo Thomas	University of Birmingham Guild of Students
Sarah Newland	Students' Union Bournemouth
Tom Newman	University of Gloucestershire Students' Union
Hugh Boyes	Trustee
Robert Cox	Worcester Students Union
Lorna Reavley	Solent Students’ Union