

ROSS
TRUSTEES

Students' Union Superannuation Scheme

Susan Andrews

Ross Trustees Services Limited



$$\text{Liabilities} + \text{Expenses} - \text{Assets} = \text{Funding}$$

- Beneficiary data
- Valuing the Liabilities – Actuarial Valuation as at June 2019
- Liability Management

- General expenses
- PPF Levy
- Incorporations

- Performance broadly in line with assumptions
- Returned 3.5% Year to June 18

- Understanding the strength and depth of future income streams
- 2019 Covenant Review
- NUS

- Trusteeship
- Employer Associations
- Scheme Accounts – available on request



www.rosstrustees.com



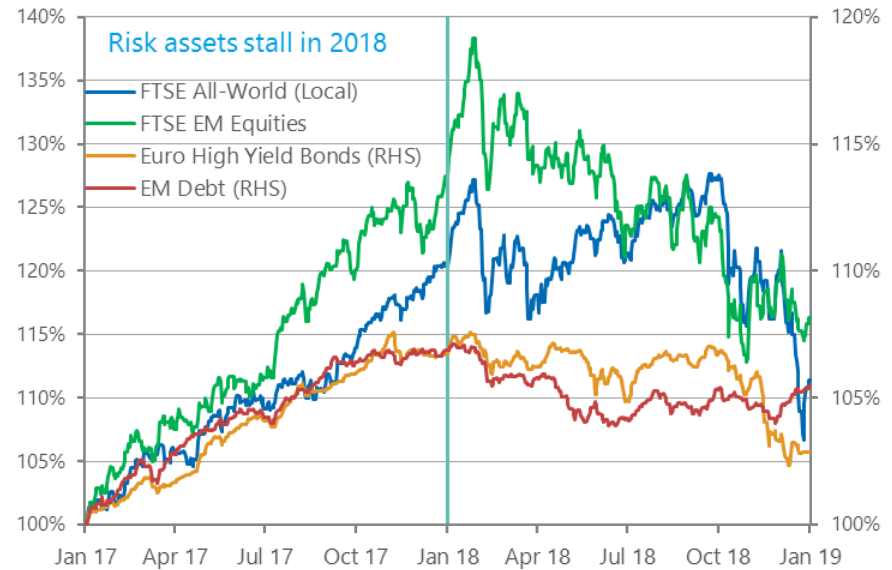
SUSS Annual General Meeting 2019

Funding and Investment Strategy

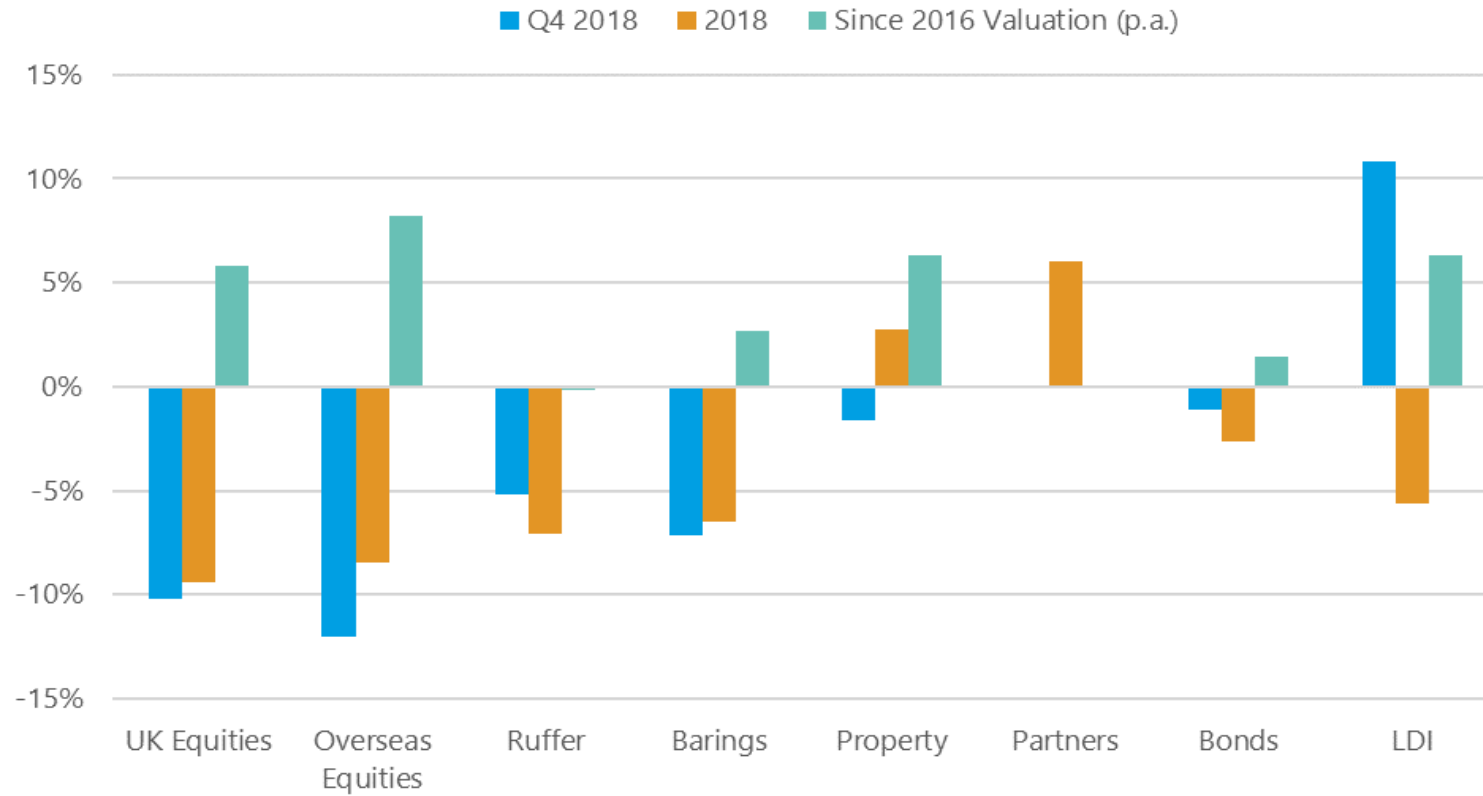
Paul Hamilton and Matt Tickle

March 2019

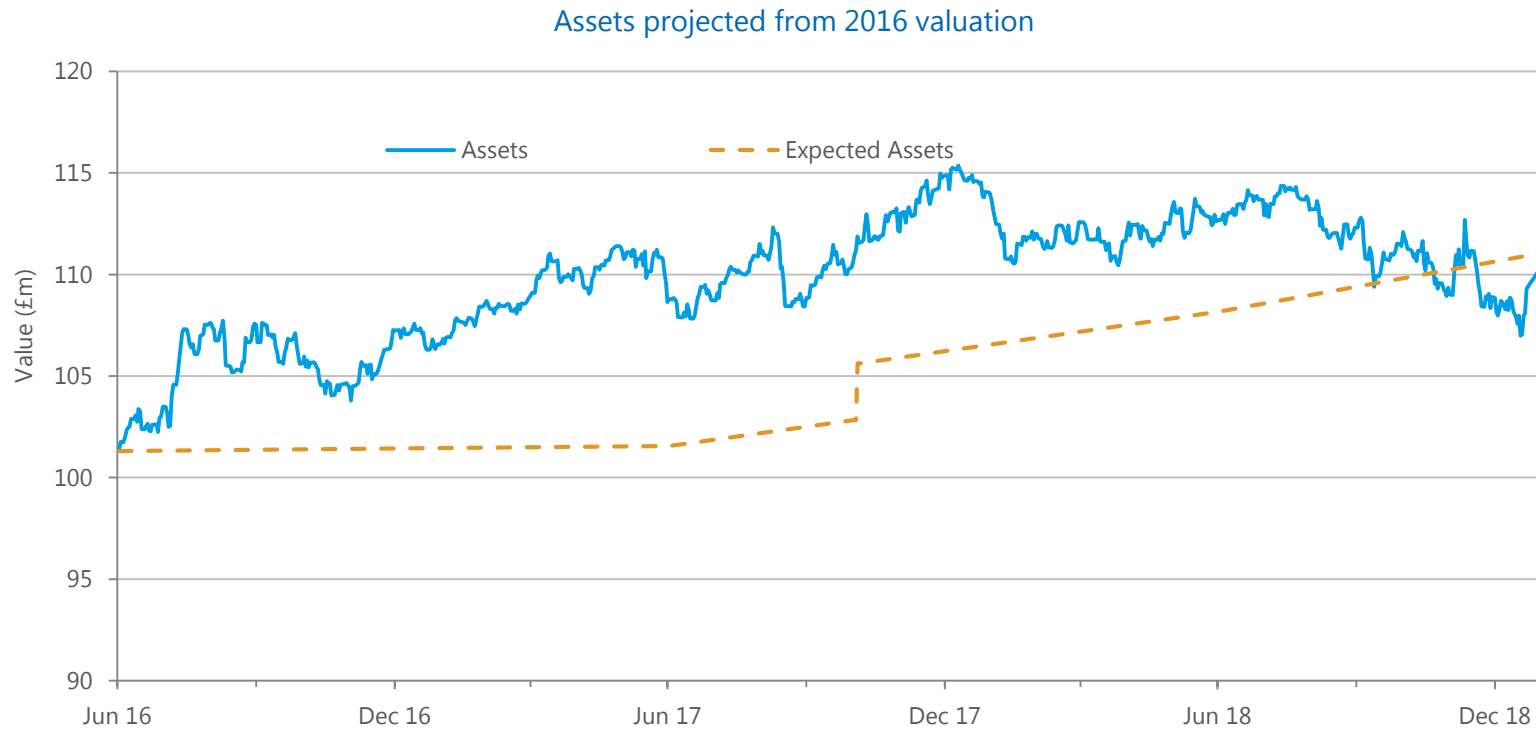
The Headlines – Strong and Stable?



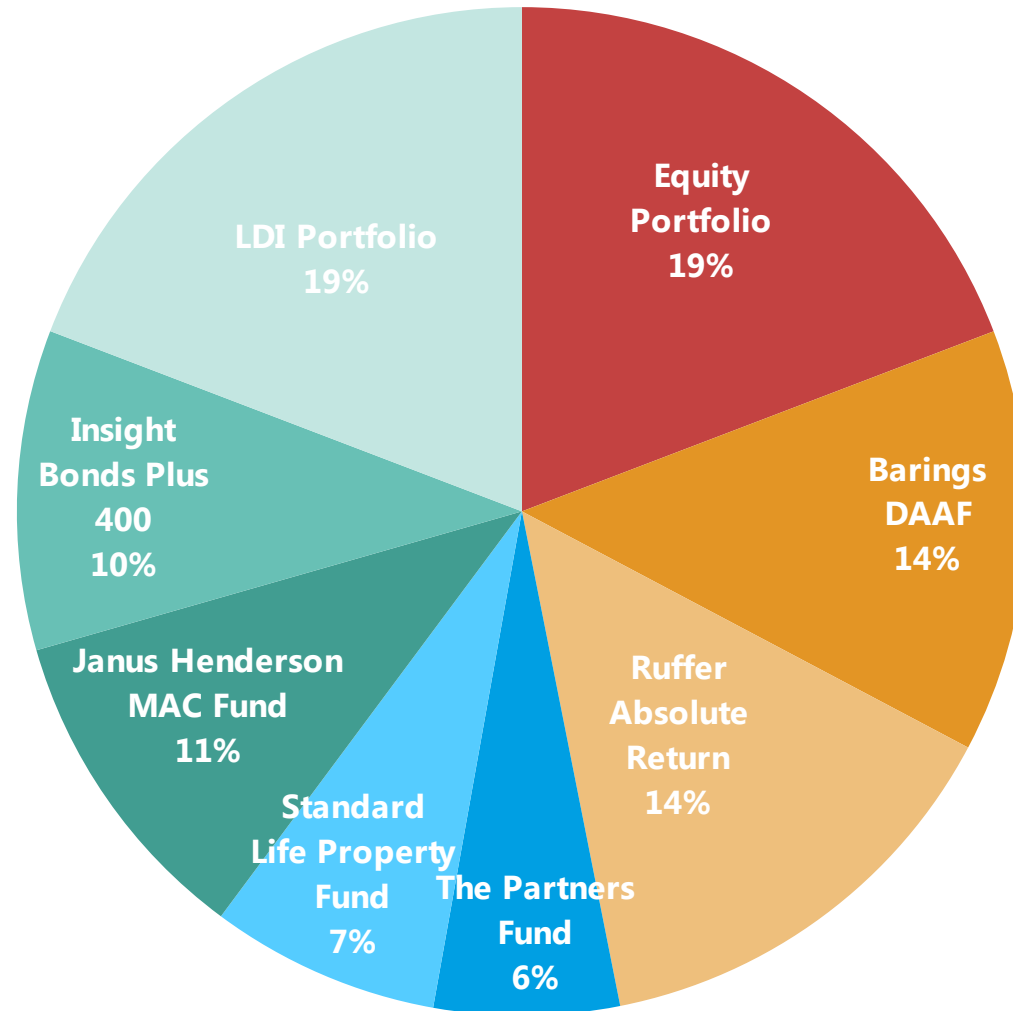
What's this meant for our assets?



Monitoring strategy – the outcome for assets

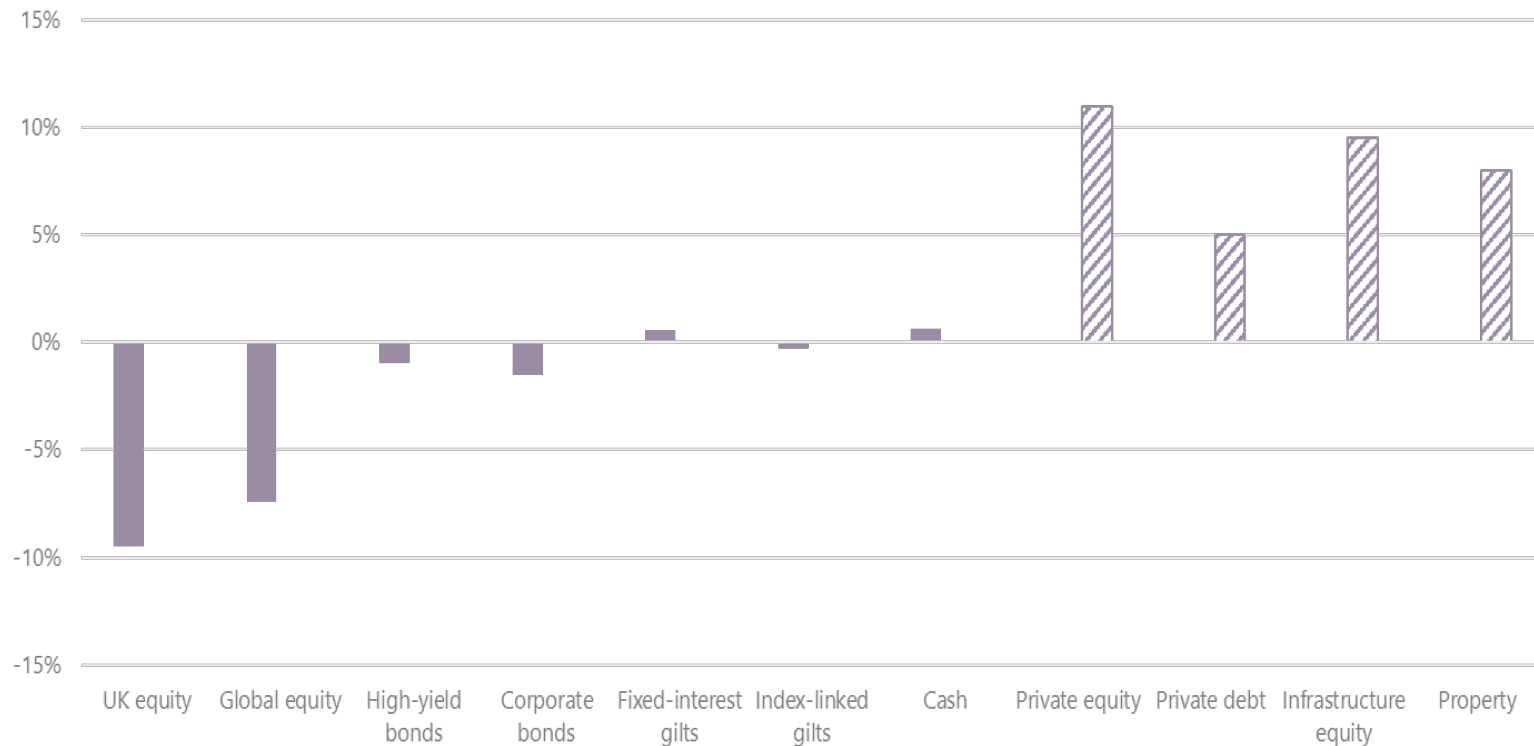


Asset allocation as at 31 December 2018



Illiquids

- Initial investment into Partners in November 2017
 - £6m initial investment (c5% of overall assets)
 - 6.8% return since initial investment



What are the issues for 2019 & beyond?

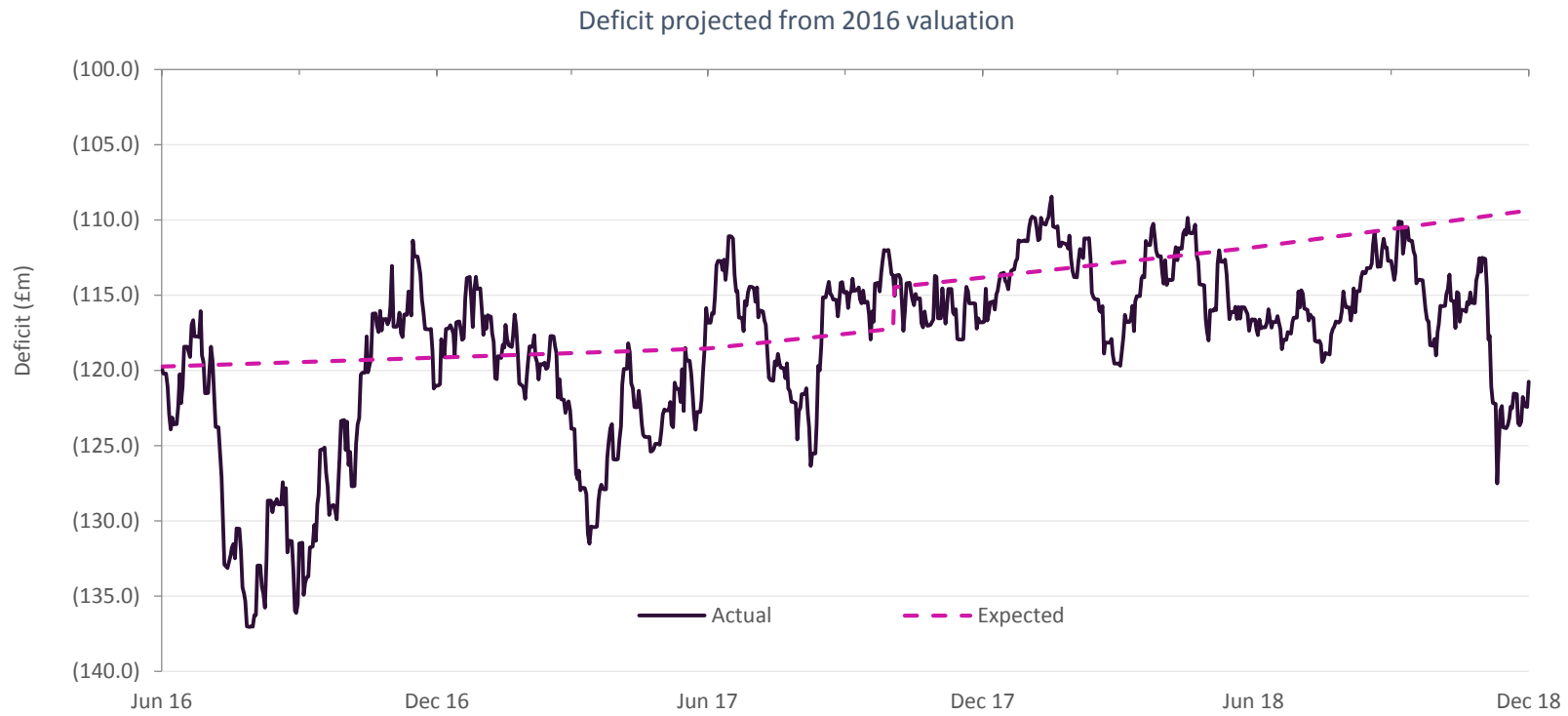
DEAL OR NO DEAL



Valuation results

	30 June 2016	30 June 2017	30 June 2018
21 year gilt yield	1.8%	2.0%	1.8%
21 year inflation (CPI)	2.2%	2.6%	2.5%
Investment return – before retirement	4.3%	4.5%	4.3%
Investment return – after retirement	2.3%	2.5%	2.3%
Assets (£m)	101.3	108.8	112.7
Liabilities (£m)	221.0	225.6	229.3
Deficit	119.7	116.8	116.6

Funding level monitoring



PPF Levy

- Levy for 18/19 = £876,000
 - £327,000 for 17/18
- Claimed from employers in March direct debit
- When does Experian score apply?
 - 17/18: April 16 to March 17
 - 18/19: October 17 to March 18
- Missing accounts information
 - Some accounts missing
 - Scotland/NI charities?
 - Recent incorporations?

Regulatory information

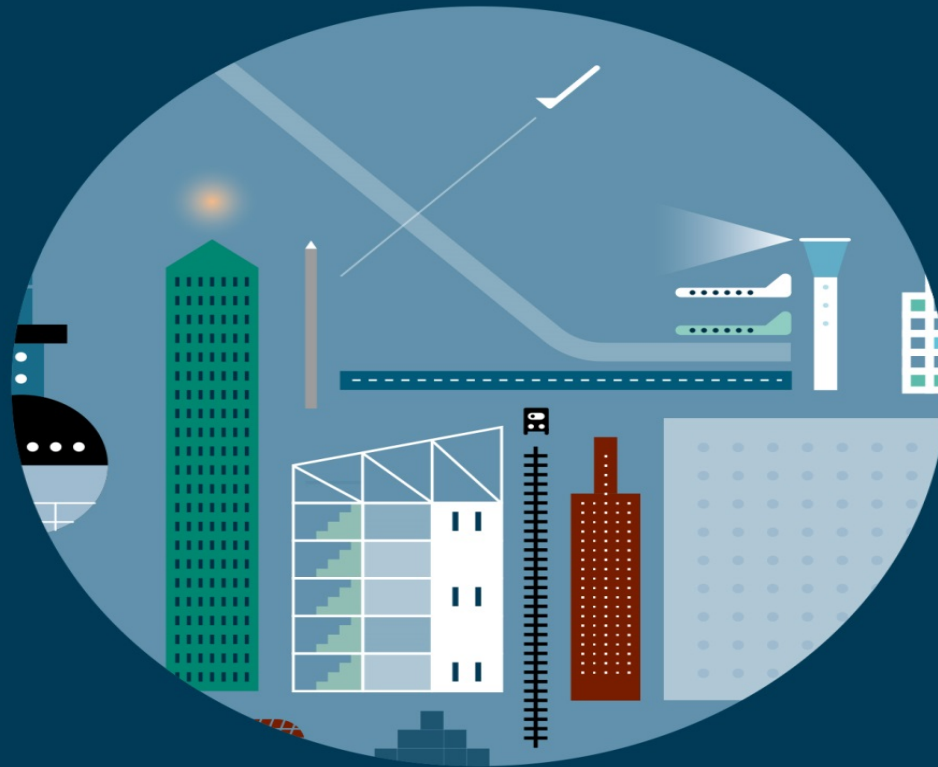
- The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.
- This presentation is not intended to provide and must not be construed as regulated investment advice. Returns are not guaranteed and the value of investments may go down as well as up.
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Students' Union Superannuation Scheme (SUSS)

Meeting of SUSS participating unions

Birmingham University Guild of Students

1 March 2019



Introductions

NUS	SUSS trustees
<ul style="list-style-type: none">• Peter Robinson – Acting Chief Executive• Vicii Kirkpatrick – Director of Finance	<ul style="list-style-type: none">• Jonathan Hazlett – Partner – Osborne Clarke LLP• Paul Hamilton – Partner – Barnett Waddingham LLP

Important to note

- Contents of today's presentation is strictly confidential
- Information can be shared with SUSS participating unions' trustees / directors / office and parent institutions' finance directors
- Information should not be shared more widely and not through open social networking sites
- Some information is legally privileged and so cannot be shared at this time

Reminder of the issue (1)

Type of pension	<u>1 October 1981 to 30 September 1988</u>	<u>1 October 1988 to 5 April 1997</u>
Excess	7%	3%
Pre 6 April 1988 GMP	Not applicable paid by the State	3%
Post 6 April 1988 GMP	CPI capped at 3%	3%

Reminder of the issue (2)

Type of pension	<u>1 October 1981 to 31 December 1993</u>	<u>1 January 1994 to 5 April 1997</u>
Excess	7%	3%
Pre 6 April 1988 GMP	Not applicable paid by the State	3%
Post 6 April 1988 GMP	CPI capped at 3%	3%

Reminder of the financial impact for SUSS

1 October 1981 to 30 September 1988		1 October 1988 to 31 December 1993	
	£m		£m
Liability	12.2	Liability	33.1
Back-payments of underpaid pension	0.7	Back-payments of underpaid pension	1.7
Interest on back-payments (estimated)	0.1	Interest on back-payments (estimated)	0.2
Total	13.0	Total	35.0
Total cost		48.0	

Note:

- Estimates based on SUSS technical provisions as at 30 June 2016 updated for market conditions as at 1 September 2018
- Not based on full actuarial valuation with updated data – some issues to resolve

NUS' proposal – 1 October 1981 to 30 September 1988

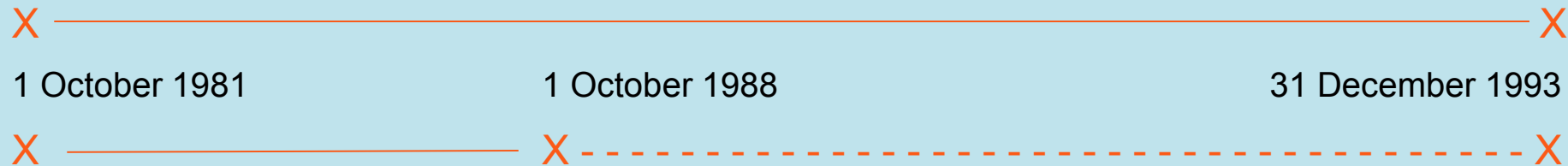
Affected members in SUSS pensionable service on 1 October 1988



- 7% on excess pension
- Statutory increases on GMP (i.e. nil on pre 6 April 1988 GMP and CPI capped at 3% on post 6 April 1988 GMP)
- Underpin where 3% on excess pension and GMP more generous
- Increase in pension in payment with effect from 1 October 2019
- Lump sum back-payment of underpaid pension from affected member's retirement date to 30 September 2019 with interest (1% above Bank of England base rate)
- £13 million of additional liabilities to be reflected in 2019 valuation

NUS' proposal – 1 October 1988 to 31 December 1993

Affected members in SUSS pensionable service on 1 October 1988 and affected members who joined SUSS between 1 October 1988 and 31 December 1993



- RPI increases on all pension subject to a minimum of 3% and maximum of 7%
- Underpin where 3% on excess pension and GMP more generous
- 7% on excess pension and statutory increases on GMP on pensions in payment up until 30 September 2019 – no worse off than if PPF assumed responsibility for SUSS
- Increase in pension in payment with effect from 1 October 2019
- Lump sum back-payment of underpaid pension for period from 1 October 2013 to 30 September 2019 with no interest
- Could reduce additional liabilities from £48 million to £25.2 million to be reflected in the 2019 valuation

Potential reduction in liabilities

1.	Liability for 7% increases on SUSS pensionable service between 1 October 1981 to 30 September 1988	£12.2 million
2.	Back-payments of under-paid pension for (1) above	£0.7 million
3.	Interest on (2) above	£0.1 million
4.	Liability to provide 7% increases on SUSS pensionable service between 1 October 1988 to 31 December 1993 up until 1 October 2019 (or later implementation date) and then RPI increases subject to a minimum of 3% and maximum of 7% afterwards	£11.9 million
5.	Back-payments of under-paid pension for (4) above	£0.3 million
6.	Interest on (5) above	£ nil million
TOTAL		£25.2 million

Note:

- SUSS trustees will only implement change if sufficient number of affected members (as measured by % of liabilities) agree to the proposed changes to the SUSS Rules

Treatment of affected members

Category of members	Treatment
Deferred members	<ul style="list-style-type: none"> No immediate change until retirement Asked to consent again at retirement where refused, did not respond or could not be traced
Pensioner members (including annuitants in SUSS trustees' name)	<ul style="list-style-type: none"> Increase in future pension with effect from 1 October 2019 Lump sum back-payment of underpaid pension Full underpayments for 1 October 1981 to 30 September 1988 with interest 6 years of underpayments for 1 October 1988 to 31 December 1993 with no interest
Dependant pensioners	<ul style="list-style-type: none"> Increase in future pension with effect from 1 October 2019 Lump sum back-payment of under-paid pension (as above) from (i) affected member's retirement date to date of death; and (ii) date of affected member's death to 30 September 2019
Deceased members with no dependants	<ul style="list-style-type: none"> 2 year look-back period from 22 November 2017 Lump sum back-payment of underpaid pension directly to affected member's estate

Excluded affected members

Category of members	Treatment
Vulnerable members	<ul style="list-style-type: none"> • Pensioners aged over 80 • Child dependant pensioners
Deceased members with no dependants	<ul style="list-style-type: none"> • Deaths prior to 22 November 2015
Affected members who transferred out of SUSS (including annuitants secured in own name)	<ul style="list-style-type: none"> • No requirement for supplementary transfers as SUSS trustees fully discharged under transfer paperwork and SUSS Rules • No transfers out of affected members since 22 November 2017
Affected members who transferred benefits into SUSS	<ul style="list-style-type: none"> • No requirement to revisit benefits as granted in accordance with agreement made at time
Affected members who trivially commuted their benefits	<ul style="list-style-type: none"> • No requirement to revisit as immaterial
Affected members who received a refund of contributions	<ul style="list-style-type: none"> • No requirement to revisit as have no vested benefits in SUSS

Member consent exercise – key regulatory requirements (1)

- Section 67 Pensions Act 1995
- Occupational Pension Schemes (Modification of Schemes) Regulations 2006
- Pensions Regulator Code of Practice No 10 – Modification of Subsisting Rights

Member consent exercise – key regulatory requirements (2)

- Adequate information to ensure informed consent
 - Affected member must be allowed to make representations / ask questions before giving consent
 - Sign-post independent financial advice
 - Some affected members may not consent and get higher benefits
 - Affected members' consent cannot be deemed or assumed
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Member consent exercise – draft communications plan

Letter 1 What's happened?	Day 1 (e.g 3 June 2019) To be issued by NUS and SUSS trustees
Website FAQs	Day 1 (e.g. 3 June 2019)
Letter 1A What's happened?	After Day 1 To be issued by SUSS participating union
Letter 2 Time to Choose	Day 30 (e.g. 3 July 2019)
Letter 3 Reminder	Day 50 (e.g. 22 July 2019)
Letter 4 Follow up	Day 70 (e.g. after 12 August 2019)
Implementation	Day 120 (e.g. after 1 October 2019)

Member consent exercise - how it will be explained (1)

- NUS and SUSS trustees made two mistakes:
 - Change should not have been back-dated to 1 October 1981 (or later joining)
 - Change which was supposed to take effect on 1 October 1988 did not take effect until 31 December 1993
- Future of SUSS is under threat:
 - Increase in SUSS liabilities when only 46% funded
 - Extra money required from NUS and SUSS participating unions would put extra burden on them when financially stretched

Member consent exercise – how it will be explained (2)

- PPF is a safety net but does not offer the same benefits:
 - Extra burden on NUS and SUSS participating unions could lead to job losses and even closure
 - PPF provides a valuable safety net but does not provide increases for pre 6 April 1997 pensionable service and members under normal pension age receive 90% of their pension
 - NUS and SUSS trustees are offering a compromise:
 - 7% to implementation date
 - RPI minimum 3% and maximum 7% afterwards
 - Compromise is fair, sustainable, reflects the purposes of pension increases and is better than affected members were expecting
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Professional negligence action against Friends Life

- Standstill agreement extended to 27 July 2019
- Await details of annuitants secured with Friends Life

Pension increase exchange (PIE) exercise and date of pension increases

- PIE at retirement under review for possible implementation after member consent exercise
- Possible exercise to align pension increase dates

Next steps

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- Slides and briefing note to be circulated
 - Member consent exercise will start on 3 June 2019
 - Sample letter from SUSS participating union to be circulated but not to be issued prior to 3 June 2019
 - Member consent exercise will end on 9 August 2019
 - Member decisions implemented with effect from 1 October 2019
 - Results of member consent exercise reflected in 2019 valuation including in new recovery plan and schedule of contributions
 - Pensions Regulator and BUFDG kept informed
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