Minutes of SUSS Annual Members Meeting
11.00am on Wednesday 4th March 2020
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
	Claire Rankin	CR	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 66 people present, representing 50 Participating Employers.
See Appendix A for a list of the attendees and apologies received.

AGM/2020/1	**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 on 1st March 2019 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/2020/2	**Review of the Year**
	SJA advised that her presentation would be quite different to previous years. In the past, the focus had been on the three pillars of our Trustee Strategy; to identify and manage the liabilities, to sweat the assets and to keep expenses under tight control. Whilst the Trustees continue to have these three pillars in mind, the problems faced over the issue of 7% pension increases have eclipsed all others. SJA therefore, discussed in detail the 7% issue; what it is, the process followed to deal with it; response from beneficiaries and the impact on SUSS. SJA confirmed she would also talk, at a high level, about the Actuarial Valuation; the Trustees' review of the covenant of Participating Employers; and also what was coming up on the Trustees' agenda. **7% EXERCISE – THE ISSUE** SJA reminded all that the 7% Issue was about an amendment that the then Trustees tried to make to benefit accrual in 1988. At that time, there was no requirement to increase guaranteed minimum pensions ("GMPs") once in payment, SUSS had a rule that any excess over GMP increased at 7%. It was noted that this was quite an unusually high level of increases, and whilst it was speculation, the level of increase on the excess might have sought to make a reasonable level of increases across the whole pension.

In 1988 the law changed, and a requirement was introduced to increase GMPs by 3%. The SUSS Trustees took advice and agreed to change the increases so that the whole pension increased by 3%. An announcement was sent to all existing members, and booklets were provided to new entrants, with the 3% increases on the total pension.

However, the announcements and booklets were not enough to effectively amend the legal provisions of SUSS. That could only be done in writing signed by NUS and the Trustees.

The Trustees searched extensively with NUS, all previous advisers, and previous Trustees, but could not find anything that met the requirements of the Trust Deed.

Indeed, any accrual prior to April 1988 could not have been changed even in 1988. Therefore any pre 1988 accrual had to have 7% increases on the excess over GMP.

Further, the necessary written instrument was not put in place until 31st December 1993. As it is not possible to back date an amendment except in limited circumstances, this meant that the 7% increases on excess pension continued until 31st December 1993, and the 3% on the GMP was a legal requirement anyway and had to be paid on all accrual after April 1988.

Early indications suggested the costs of this was in the region of £48.5 million.

The Process
Those present were reminded of the many meetings NUS had with Affiliated Unions to discuss the available options and to reach a consensus on how best to proceed.

It was felt that no members had been misled. All members had been told of the changes either in an announcement or an appointment letter.

In view of the impact, NUS, the Trustees and the Participating Employers agreed to use one of the limited circumstances where a backdated amendment can be applied, which is to approach the membership to seek their consent to amend SUSS to give effect to the changes.

The Trustees and NUS worked closely together to agree the structure of an offer to members. In order for this exercise to be effective, each member would be required to consent to the amendment in respect of their own benefit. If a member did not consent, their benefits would remain and any 7% increases would continue to apply.

As such, the offer to members needed to be clear and honest. The letters had to ensure everyone could understand what they were being asked and the success of the exercise depended on Scheme members agreeing to accept the offer.

Simply making an amendment backdated to 1988 would have provided the greatest cost savings although probably not the necessary take up rate. Therefore the NUS and Trustees agreed to offer a compromise. Put in its simplest terms, the 7% would apply to all benefit payments up to 1st November 2019 and the 3% (min 3%/max 7%) would apply thereafter (except on pre 88 service as explained before).

The first step was to ensure that all Scheme member data was complete and current and covered all the information needed to perform the necessary calculations. The Trustees have been addressing gaps in data recently; a more detailed review is normally done member by member as they retire; however, it was essential to undertake a significant data update.

The Trustees worked with an expert communications company that was able to translate the complicated history in a clear and concise way. The communications were agreed by both the Trustees, and NUS lawyers. There were seven different versions of the letter to cover all categories of member, from those with Pre 88 service only; those with post 88 service only; those with post 88 and post 93 service; those who were dependants of members; those who were not affected – as they may hear about the offer and wonder why they did not receive a letter.

The Trustees did not write to those considered vulnerable. Scheme membership records do not record vulnerabilities other than those who are over 80 years of age and child dependants.

The Trustees created a web site for frequently asked questions to supplement the letters, and this was updated regularly. There was a telephone helpline through Barnett Waddingham.

The Response
SJA advised the meeting that response was quite simply staggering. A testament to Scheme members who saw the problem and responded in a collaborative and unselfish way. 84% of the members responded; and around 80% of those responding accepted the compromise.

The Impact
The meeting was advised that the implications on the deficit are complex; at the start of the journey the early indications suggested the impact on the deficit was in the region of £48.5 million.

Because of the way in which Scheme Rules are drafted; and some helpful legal precedent, the Trustees were able to take some of the members out of the exercise; those who had transferred out some time ago and signed a discharge at the time of transfer; those who had died some time ago leaving no further benefits payable from SUSS. This alone brought the potential impact down to around £33.5 million.

The meeting was advised that an 80% acceptance did not bring the liabilities down by 80% as it depended not on the number of members but the value of the benefits of those members accepting. For members with service pre 1988, the amendment could never have been made and the 7% cannot be removed. Taking into account the benefits required to increase at 7% and those who are not within the exercise and those accepting the compromise, the residual impact on SUSS is around £24.8 million.

This represents a significant reduction in potential exposure.

Communication to Members
The Trustees wrote regularly to members throughout the exercise, and also included some early indications of response rates. The Trustees also wrote at the conclusion of the exercise to confirm next steps; most of the arrears were settled on 1st December 2019, with pensions being adjusted going forward where necessary. The meeting was advised that there were a few members where the history was particularly challenging, and these were finalised in January 2020. Deferred members records have also been amended.

Non-Consenters and non-repliers
For those who did reply, but who did not consent; and for those who simply did not reply, their records have been amended and the 7% will apply.

Where these are deferred members, as they reach retirement, they will be offered the compromise again.

Cost of the exercise

The meeting was advised that this has been a significant exercise requiring the input of a number of experts. Much of the data cleansing is work that would have to be done in the normal course, this exercise has just brought the date of that work forward; any general costs will be applied to SUSS as a whole.

The proposal was to spread these costs, as far as possible among the affected Participating Employers in accordance with how the 7% liability is split. This means that all Participating Employers will meet some of the costs, for example for the orphans. Those affected to a greater degree will meet a greater share of the costs.

TPR Involvement
At the outset, the Trustees wrote to the Pensions Regulator explaining about the issue that had arisen and the actions proposed to deal with it. The Pensions Regulator responded with a questionnaire about the internal controls for SUSS; which the Trustees answered with full details. The Pensions Regulator requires to be informed on developments and the proposal is to update them with the impact on the valuation and provide commentary on how the Trustees propose to deal with the issue.

Ongoing Action against Friends Life
In respect of the action against Friends Life; the Trustees have issued a claim form and a Standstill is currently in place between the parties. This is a device which allows the parties to investigate the allegations without time limits continuing to run. The current Standstill expires in July 2020 by which time Friends Life must respond to the claim.

This is an ongoing issue; the Trustees will keep all updated.

ACTUARIAL VALUATION
SJA reminded the meeting that every three years the Trustees are required to carry out a full valuation of SUSS; to rebase the liabilities (to include actual experience over the previous three years); update the asset figure etc.

It was noted that there are a number of bases that can be applied. At one end of a spectrum is the cost of securing all benefits with an insurance company, the "buy out basis", this usually puts the highest value on the liabilities. At the other end is a "best estimate basis", which seeks to take out all prudence from the assumptions, which generally puts the lowest value of the liabilities.

Somewhere in the middle is a scheme specific basis called a "Technical Provisions" basis which attempts to map closely the real experience and prospects of the scheme? SJA confirmed that figures today are prepared on this basis.

SJA advised the meeting that this valuation has been extremely complex, as the Trustees wished to include the results of the 7% issue as well as the outcome of the member consent exercise. It was noted that the deadline for members to respond was September 2019, and Barnett Waddingham had to amend members' records; calculate back payments; and arrange for these to be paid, all before 1st December, and the Actuarial Valuation had to fit around that.

SJA confirmed that PH would be sharing initial figures as part of the Actuarial update, however, SJA advised that if the Scheme did not have the 7% issue to deal with, the funding would have improved to 51% on a Technical Provisions basis. Whilst this is good news, the Trustees had hoped to be further ahead than that. In all, the Scheme is approximately 3% behind where hoped, which in view of recent history is encouraging. However, the 7% must be applied.

COVENANT ISSUES

	The meeting was advised that the Actuarial Valuation is required to include some prudence in the assumptions made; where an employer covenant is strong, there is less need for prudence in the assumptions as it can be assumed the employer will be around to support fluctuations in funding. Where the covenant is weak, more prudence is required. The Trustees are required to consider the covenant of all Participating Employers, KPMG are appointed to review those covenants. Covenant assessments for schemes with one employer usually cost around £15,000; SUSS has 67 employers. Rather than pay around £1,000,000 for a covenant assessment, KPMG has put in place a high level review that relies on each Employer providing information on a timely basis and in full. For this review, 10 unions were slow to respond. To fit in with our tight timetable and in order to report today, the Trustees had to rely on a Report with incomplete information. Some of the missing information did arrive late, whilst the report could have been updated to accommodate that late information; that would cost an extra £2,000. That is money wasted on costs that could be supporting benefits. All present were asked to respond promptly and in full to information requests. The information requested is vital to running SUSS, and key to decisions taken on the valuation, contribution and recovery plan. **Difficulties in Covenant** The Trustees are aware of the challenges facing Students' Unions, their parent institutions and the increased funding pressures. The Trustees sought information early in 2019 to seek to understand what funding cuts might mean to the solvency of Participating Employers, the Trustees sought updated information in December to help in deliberations on the contribution rate going forward. Among the Trustees are those within Students' Unions and within NUS; the Trustees also encourage information exchange with industry bodies such as BUFDG. The best position for SUSS is for all Participating Employers to continue and for them to support SUSS in the long term. However, the Trustees need to be aware of particular difficulties and to ensure they are prepared for any problems faced; Unions were therefore encouraged to notify the Trustees as soon as possible for issues they are facing. **NUS covenant** SJA commented that of particular concern to the Trustees has been the fortunes of NUS itself. It has been a particularly difficult time; Peter Robertson and the NUS team has worked with the Trustees and kept them informed of developments and to understand proposals as they unfold. The Trustees are treading a very fine line between the concern that SUSS, and in particular the 7% issue, does not interrupt the provision of student services and at the same time ensuring the promises made to all SUSS members by their employing Unions are met in full. **One Union failing – what happens** The Trustees are aware that particular concern of many Participating Employers is what happens on the failure of one Participating Employer – do all the other Participating Employers have to pick up the tab? And what happens if that failure is of NUS itself. This is a huge area of pensions, a complex area with various remedies; however, to simplify, SJA advised that it used to be the case that if one employer failed, only those members attributable to that Union <u>AND</u> who still work for that Union would be eligible for PPF admission. This was becoming such a small number of members and in many cases, a Union may have deferred members where none of them are current employees. All other associated members would become orphans of SUSS and the liability would fall to the remaining Participating Unions. Under

	this scenario, the failure of a small Union would probably not be a problem. The failure of a Union with a larger share of the liabilities would be a problem. The position now is that if a Participating Union fails, the Trustees have a discretion to apportion the assets and liabilities relating to not just employed members, but also to 'any other Members, Pensioners or beneficiaries under the Scheme and which the Trustees consider can be reasonably attributed to the Employer' (in accordance with the SUSS rules), and these assets and liabilities would then transfer to the PPF. SJA clarified that this is all the liabilities relating to the apportioned members and a fair share of the assets. The PPF has powers to pursue any remaining debt directly with the Participating Union (whether incorporated or otherwise). What that means for the members associated with that Participating Union is that within the PPF they are entitled to PPF compensation which differs from SUSS benefits. One significant difference is that current pensioners continue to receive their pension – although increases pre 1997 are nil, and deferred members receive 90% of the benefit they would have received (with some changes) and subject to a cap (currently is around £40,000 for a 65 year old). Whilst the compensation safety net is a significant improvement on what went before, it does not pay what members were promised by SUSS. So far, the Scheme has not had to consider this issue, although the Trustees have taken advice on the point so that they are prepared should the situation arise? However, the discretion in the hands of the Trustees would be exercised at the time and the Trustees cannot fetter how they exercise that discretion. **ONGOING ACTIONS** SJA provided a summary of a number of other matters on the Trustees' agenda: **At Retirement Options (PIE, CETV)** The meeting was advised that as people reach normal retirement date the Trustees write to them setting out their options. To date, this has been the pension at Normal Retirement Age, or a lump sum and a smaller pension. There are other options that can be offered, although some of these require advice to the member from an independent financial adviser. However, there are a number of options that the Trustees are considering. These may seem small as individual measures, but there is no silver bullet to solve the deficit, the Trustees need to address the underfunding issue in a series of small incremental actions. **Trivial commutations** The first to consider is trivial commutations. Where pensions are considered to be trivial (which has a definition set out in Regulations) rather than pay the monthly pension, schemes can pay the whole amount as one capital sum and discharge the liability from the scheme. This is most usually offered as an option to members. However, the Trustees are considering requiring these very small pensions to be paid as a lump sum. To put this in context, the administration costs of administering these small pensions is disproportionate. The average monthly pension would be less than £42, and as it is so small, it would not be the member's sole source of income. When the Trustees assess the liabilities of SUSS, they must include an element of prudence. When paying capital sums as trivial commutations, the Actuary can take out the prudence in the calculation.

	The Trustees are currently assessing how many members, and Participating Employers this would impact. Once the Trustees have this information, they will decide whether trivial commutations, and requiring them at retirement, are an option. **Pension Increase Exchange ("PIE")** A further option that the Trustees are considering is a pension's increase exchange. In essence, this is where we exchange a variable increase in pensions in payment (for example RPI) for a higher starting pension with a fixed or zero increase rate. This option presents some difficulties for the Trustees. It is made more complicated by the compromise, as it does not seem fair that those members who have not accepted the compromise should have the benefit of this option. This is something under consideration at present, the Trustees will report back at future meetings on progress. **Transfer Value** SJA advised that deferred members are entitled to take a transfer value from SUSS; calculation of the amount of that transfer value is prescribed, there is no requirement to include an element of prudence in that value. The Trustees are required to include prudence in calculating the Technical Provisions but not include that prudence in the transfer values paid. Because SUSS is so underfunded, the Trustees are permitted to reduce any transfer value paid to reflect that underfunding. If this wasn't done, those who chose to leave would be paid out in full leaving less for those remaining. At the moment transfer values are reduced by 48% (i.e. a member would receive a transfer value of 52% of the full value of their benefit). No-one has taken a transfer value for a long time; quotations are provided if requested. One option might be that when a transfer value request is received, the Trustees approach the Participating Employer concerned and ask if that Employer is willing to "top up" that transfer value at the time of payment. In this way, SUSS pays the amount that it can, and the Union tops that up to a full transfer value. SJA advised that if Unions are interested in learning more about this option, they should contact the Trustees. **Buy out for Unions** Another question that has been raised is around Participating Employers querying the buy-out cost of their liabilities. Some Union Trustees have requested this information, whilst the Trustees are happy to provide it, there is a cost to carrying out that calculation. In the past, the Trustees have provided an estimate based on the value at the last Actuarial Valuation. This can be provided quite cheaply. As the Trustees are now in the process of another Actuarial Valuation, these figures will be updated (following completion of the Valuation). The Trustees are keen to avoid spurious accuracy as buy-out values are significant and to date, no-one has taken up the option. They also vary over time (both up and down). Should a formal request be made, the Trustees are likely to seek to secure benefits with an insurer. This means the Trustees need to have full and accurate member data (which is an ongoing exercise), a full benefit specification (which we now have); SUSS would pay the amount it reserves for the specific Union, the Union would need to fund the balance required to effect the buy-out.
	OTHER ISSUES **BUFDG**

	The Trustees continue to engage with BUFDG to seek to ease Union conversations with their parent institutions Finance Directors. It is really to ensure that they are in possession of the information and are forewarned. **Disaffiliations** The Trustees are aware that a number of SUSS Participating Employers are currently considering whether to disaffiliate from the NUS and cease to be constituent unions. The Trustees have considered the impact of such disaffiliations on the operation of SUSS. If a SUSS Participating Employer stops being a constituent union, this will not lead automatically to that Participating Employer leaving SUSS and so no employer debt is triggered as a result of disaffiliation. The concern for the Trustees is the financial impact of such disaffiliations on the NUS and NUS Services Limited (NUSSL), which also participates in SUSS. As at the last valuation, the NUS and NUSSL accounted for around 11% of SUSS' liabilities and so the loss of affiliation income will affect the strength of financial covenant offered by both NUS and NUSSL to SUSS. This is something the Trustees believe to be a relevant factor that should be taken into account by participating unions when deciding whether to disaffiliate from SUSS amongst other considerations which are individual to each Participating Employer. **Incorporation window** This year there will be a window for those wishing to incorporate opening form 29th June 2020 to 25th September 2020. As in all years SJA stressed that for any Union thinking of incorporating, do not do so until you have fully understood the process you need to undertake to effectively transfer your pension liabilities. We have prepared a written guide and timetable for Unions. Please ask us for a copy and if you have any questions, raise them with us in good time. SJA advised the meeting that the Trustees were looking for nominations of an Employee Nominated Trustee, therefore any interest parties should contact either Vicii Kirkpatrick or the Trustees.
AGM/2020/3	**Funding and Investment Strategy**
	Investment Strategy MT provided an investment update over the year, including a brief market update; asset allocation, performance, including actual asset movement against expectations since the last valuation. MT provided a summary of changes and performance of the portfolio, noting that in general the investments have performed as expected. In terms of markets, MT commented that sometimes the headlines can be misleading; as a Scheme the headlines on disruption within the UK, in terms of Brexit and General Election, are generally less relevant as SUSS is invests globally. MT reminded the meeting of the purpose of the LDI portfolio; in that it is designed to move in line with Scheme liabilities, providing protection against market movements. MT confirmed that currently the LDI portfolio seeks to protect c90% of funded liabilities, the Trustees will, over 2020 be seeking to increase the protection, however the deficit remains exposed to market movements and interest rates swings. It was noted that given the funding level, the Trustees are limited as to

what can be done to protect the assets; all that can be done to mitigate against risk, is being done, but it is a challenge to go any further beyond this level.

In terms of what the Trustees are looking at in the coming months; whilst not fundamentally changing the risk profile of the Scheme, the Trustees are looking to push the growth assets a little harder. Following a period of disappointing results; the Trustees are also looking to sell down assets within both Aberdeen Standard and the Absolute Return Fund with Ruffer.

The Trustees are actively reviewing the ESG credentials of their existing managers, and will do the same for any new managers. They are reviewing options to increase allocation to illiquid assets; and reviewing the Equity portfolio, specifically Legal & General's Future World funds – as part of the Trustees wider strategy to increase the focus on ESG issues where appropriate and available.

Funding – Actuarial Valuation
PH provided a summary of the initial 2019 valuation results:

£m	2016	2019
Assets	101.3	119.1
Liabilities (no 7% issue)	221.0	235.2
Deficit	119.7	116.1
Funding Level	46%	51%
Cost of 7%		24.8
Actual deficit		140.9
Actual funding level		46%

The meeting was advised that if there were no 7% issue, the deficit would have reduced from £119.7m to £116.1m; if the recovery plan was on track, the deficit should be £112.6m. We are therefore 3% behind. To keep same recovery plan end date (1 July 2033, 14 years) would need an extra 3% from all (i.e. an 8% increase in total), noting that the Pensions Regulator is working to reduce recovery periods, with the current average being 7 years; therefore our recovery plan of 14 years is long in that context, but understandable in the circumstances.

In terms of the impact of the 7% issue, PH advised that original estimate of the full cost of 7% issue was £47.8m, the true "full cost" was lower because of caution within the original estimate, allowance for reduced life expectancy, and a significant amount of work to bring the number down – therefore the actual "full cost" of 7% exercise at valuation date would have been £33.5m.

PH commented that If everyone accepted the compromise offer, there would still be a cost of the 7% issue as not everyone was included in the exercise (vulnerable members); and accepting compromise would not reduce the cost to zero. Therefore, the total scope for saving was around £14m of the total of £33.5m. The impact of compromise offer has been to reduce the cost of the 7% issue by £8.7m; the overall impact of 7% issue is therefore £24.8m (£33.5m less £8.7m).

PH discussed the proposed impact on contributions, reminding all that contributions are allocated by proportion of liability, therefore Unions affected by 7% issue bear the lion's share of the extra cost; however it was noted that this was not an exact allocation, as the Trustees do not keep track of "7% cost" as separate ring-fenced item, there is some cost for all in relation to orphans. The

	Trustees are considering a delay in increasing contributions until 2021, to allow Unions time to discuss funding with their parent institutions. PH advised that the starting point (for unaffected Unions) is 3% extra (on top of the 5% expected), so an 8% total increase in 2021; Unions with members affected by the 7% issue will see a higher increase in 2021. This leads to an extension of the Recovery Plan end date (to 1 October 2035). PH noted that based on the covenant analysis, the Trustees hope contribution increases are manageable; although clearly some will see large increases. PSG commented that the Trustees are meeting on 7th April to finalise the recovery plan; the Trustees will be writing to individual Unions as soon as practically possible after that meeting confirming their individual contribution rate. The Trustees would again provide Unions with the option to pay 3 years (from 2020) upfront, with a similar discount applicable; the exact amount of discount would vary depending upon the individual deficit reduction contributions, in respect of which the Trustees would write to Unions with their figures shortly. All were asked to let the Trustees know if their increase was unmanageable. As touched on by SJA earlier in the meeting, PH went on to discuss with the Meeting transfer values, confirming that the same are reduced to reflect the underfunding of the Scheme. PH advised that transfer values help the Scheme reduce risk going forward, as well as reducing the overall deficit (if paid). PH summarised the possibility of offering unreduced transfer values, confirming that the offer would only really work if Unions pay the shortfall upfront (in a similar way to paying deficit reduction contributions), however the offer was not straightforward given members must be educated to ensure they make good choices, as well as the further complexity of some Unions agreeing and others not. PH advised that for those Unions who were interested in buy-out, but the number was too large, a transfer value exercise maybe a more affordable way of reducing an individual Unions overall liability over time to help afford buy-out in future.
AGM/2020/4	**Questions**
	Dave Goodacre – Nottingham: Did the Trustees consider the covenant of Parent Institutions as part of their covenant review? SJA advised that it is the individual Union, not the Parent Institution which has a direct covenant. The Scheme has no legal right to pursue a parent institution. That being said, the Trustees recognise that Unions are funded year to year by their parent institutions, in respect of which the Trustees have and continue to engage with parent institutions (via BUFDG etc) to educate them on the issues. The Scheme is a collective, there is one contribution rate for all employers, however, if a parent institution was prepared to provide a guarantee for their Union then the Trustees could look to isolate that employer covenant. **Linda Stott – UCLAN:** If a parent institution was prepared to provide a guarantee, what would be the impact on the length of the recovery plan; could the recovery plan be lengthened if the covenant supporting the Scheme was stronger? SJA advised that a parent company guarantee (for an individual Union) could seek to reduce the PPF levy; with a stronger covenant which is supported over time (via a guarantee), the Trustees can take a different view on the prudence included within the valuation. However, as all Unions pay the deficit off over the same period, this would be difficult to allow for in the valuation in practice.

Q - Is TPR likely to accept the proposed extension to the recovery plan?

SJA advised that TPR has specifically asked the Trustees whether the Scheme remains viable. Non-viability is not the answer, as that would result in every Union becoming insolvent. The Trustee is looking to have sensible discussions with TPR, the proposal to extend the recovery plan, whilst no Union is paying less than they have done previously, is in the Trustees opinion, a sensible starting point.

Nathan Townsend – Brunel: In respect of the proposed changes to the investment portfolio, what is the cost benefit of making the changes now where there will be a cost of exit and entry?

MT advised that property holdings in retail have fallen over some time now, and the fall has not stopped. The Trustees are very cognisant of the associated transaction costs, however after careful consideration moving out of the asset, even with associated transaction costs will be better than remaining as a return can be sought and achieved elsewhere.

Kadiatu Songu – Greenwich: What is the rationale for moving assets now given the current economic situation?

MT advised that two years ago, a relatively small part of the portfolio, c£7m of assets was moved into the Partners Fund; this Fund has a slightly higher risk, with the aim to generate a higher return. The Trustees are looking to move a similarly small part of the portfolio to again seek to generate a higher return. The Trustees are not fundamentally changing the risk profile of the portfolio; they are looking at the margins, and trying to seek a bit of extra return, as the Scheme needs the assets to do some of the heavy lifting to bring the deficit down. Given recent market disruption (Covid-19); the Trustees have a further meeting in April when they will consider the timings of any changes to the portfolio.

Richard Parkin – Brunel: can clarification be given as to how the investment performance was as expected, yet the assets have gone down?

MT advised that performance should be considered over the long term, whilst there will always be short term market fluctuation, over the longer term the assets are performing as we want them to.

Kevin Barry – Staffordshire: What is the value of the three funds being moved moving?

MT advised that Aberdeen Standard and Ruffer account for 7%, and 14% of the portfolio respectively. The Equities allocation will remain with L&G, it is simply being moved to a Fund with an ESG index.

Dave Goodacre – Nottingham: Does the Trustee have an active policy on ESG factors which they share with their advisers? Will the Trustees seek to divest from fossil fuels and armaments?

PSG confirmed that ESG is on the Trustee's agenda; the Trustee is actively engaging with their investment advisers and managers on ESG matters; ESG is a consideration, but it is not the only consideration; it is a journey, the Trustees are taking steps to ensure ESG is considered, however given the size and funding position of the Scheme the Trustee is simply not in a position to make any dramatic changes to its portfolio on account of ESG. The Trustees will discuss divesting from fossil fuels and armaments.

	Mark Hewerdine – Sheffield Hallam: Is the 8% contribution being sought a one off, with the contribution then reverting to 5%? PH: Yes that is correct **Alexis Hartley – Anglia Ruskin**: Is it being proposed that the additional 3% will be paid in 2021, therefore for 2020 Unions will continue to pay the 5% they expected? PH: Yes that is correct **Paula Heneghan – De Montfort:** When will buy-out calculations be available? PSG confirmed that following completion of the valuation, the Trustees will be able to provide a buy-out estimate; there will be a cost to provide that estimate. PH reiterated that the estimate provided will be based on the valuation calculations; the estimate is not the same number that would be provided by an insurance company. **Lynsey Lloyd– Plymouth:** Given the uncertainty around the financial stability of the NUS; are there any risks associated with paying 3 years contributions up front? PSG commented that the Trustees have undertaken a covenant review; it is clear from that review that the risk of failure does not sit solely with NUS; indeed of all the balance sheets for the participating employers, the only organisation that had enough money to cover its deficit was NUS, so although he could understand the question, everyone should be aware of this. SJA advised that if an employer becomes insolvent then the Trustees have a decision to make regarding segregation and entry into the PPF; with the PPF looking at whether any recovery can be made from the Union. An individual Union's entry into the PPF would not change the position for those who are left. In such a scenario, there is a slight risk on paying up front, in terms of the Unions left effectively subsidising an employer who becomes insolvent. **Nathan Townsend – Brunel:** Why is the Trustee not seeking to push the recovery plan out further? SJA advised that to further extend the recovery plan would result in Unions not affected by the 7% issue paying less than they are now; that position would not be acceptable to TPR. **Christine Akers – Cardiff:** Does GMP Equalisation effect the Scheme; and if so, has it been built into the valuation? PH confirmed that yes, GMP Equalisation does effect the Scheme, and an allowance for GMP Equalisation has been included within the valuation results. **Sophie Williams – Worcester:** If an employer become insolvent, would the Trustees consider whether it was appropriate for that Unions members to enter into the PPF? SJA confirmed that it is a discretion that has to be exercised at the time, depending on the individual circumstances of that Union at the appropriate time; it is not a decision or principle that can be taken in advance. **Kadiatu Songu – Greenwich**: Why is a two tier contribution rate being considered (those affected/not affected by the 7% issue) when the Scheme is a collective? If the claim against Friends Life is successful, will any recovery go towards the deficit?

	SJA advised that the Trustee has held detailed discussions and considered numerous other options for contributions. In 2014 the Trustees undertook a strategy review to establish whether Unions could be segregated, to allow an individual Union to pay their own deficit down as quickly as possible. The starting position is that the Scheme is a collective, if the stronger Unions were able to pay off their deficit, you lose the stronger covenant which in turn means the Scheme is left with an extremely weak covenant for those Unions that are left – that is not a collective. The Trustee has during 2019 reviewed that position with their advisers again, in light of the dire position of the Scheme, however legal position remains, we cannot segregate. In terms of Friends Life, the Trustees have not included an allowance within the numbers as the likelihood of success is limited, however if there is success, the recovery will come off the deficit. PSG commented that fundamentally a promise has been made, the Trustees have sought to reach an equitable position for all, and have had to balance the collective nature of the Scheme, affordability vs the overall requirement to pay members benefits. **Craig Lithgow – Brunel:** Is a transfer value calculated as a future benefit or at the point in time of asking for the value? PH confirmed that the transfer value is calculated on the value of a members benefit over a lifetime (unreduced); that value is then compare vs the assets in the Scheme; and reduced to 52% of what they would have received, if the Scheme was 100% funded. **Louise White – Manchester Met:** What happens if TPR does not agree to the recovery plan extension? SJA advised that at this stage, the Trustees will submit the completed actuarial valuation, including the recovery plan to TPR – TPR does not have the right of veto. If TPR feel that the valuation is incorrect, or the Trustees have acted irresponsibly they could challenge the valuation, seek to replace the trustees or impose their own recovery plan. The Trustees believe the proposed recovery plan is both affordable and pragmatic, and whilst it is likely TPR will come back with questions, the Trustees are hopeful that the recovery plan proposed will be accepted. **Kadiatu Songu – Greenwich**: Given the new contribution rates will affect Unions differently, are the Trustees speaking with parent institutions to educate in advance of funding discussions? PSG advised that the Trustees have, and continue to engage with BUFDG, and are also seeking engagement from other leadership bodies. **Craig Lithgow – Brunel**: Most Unions were likely expecting a greater increase than 8%; can the Trustees not start collecting contributions from October 2020 as expected. SJA confirmed that the Trustees will review the proposal again at their meeting in April, however the Trustees are conscious that not all Unions will want to move forward at such a rate given some increases will be significant. **Jo Thomas – Birmingham Guild:** Sought to thank the Trustees and their advisers for all their hard work in respect of the 7% issue, the outcome was far better than anyone expected.
AGM/2020/5	**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 1.15pm

Signed as a true and accurate record	S.Andrews	**Date** 2nd September 2020

APPENDIX A – ATTENDEES AND APOLOGIES

The following People representing 50 SUSS Participating Employers Attended the Meeting:

Attendee Name	Representing
Christine Akers	Cardiff University Students' Union
Nick Bailey	University of Birmingham Guild of Students
Phil Banton	Sunderland Students' Union
Pauline Barrow	University of York Students' Union
Kevin Barry	Staffordshire Students' Union
Rob Bending	University of Exeter Students' Union
Ryan Bird	Reading Students' Union
Michael Blades	UWE Students' Union
Emma Boobyer	University of Gloustershire Students' Union
Helen Bristow	Oxford Brookes Students' Union
David Brown	Keele University Students' Union
Debbie Brown	Liverpool Hope Students' Union
Caitriona Cairns	Liverpool Hope Students' Union
Martin Caldwell	Swansea University Students' Union
Paul Chapman	Liverpool John Moores Students' Union
Janelle Clarke	Middlesex University Students' Union
Anna Clodfelter	University of Portsmouth Students' Union
Robert Cox	Leicester Students' Union
Louise Dixon	Sunderland Students' Union
Sarah Ellis	Keele University Students' Union
Richard Evans	Birmingham City University Students' Union
David Goodacre	Nottingham Students' Union
Lynne Gordon	Sunderland Students' Union
David Green	York St John Students' Union
Delaweh Hamelo-Mensah	University of Westminster Students' Union
Alexis Hartley	Anglia Ruskin Students' Union
Paula Heneghan	De Montfort Students' Union
Mark Hewerdine	Sheffield Hallam Students' Union
Andrew Hodgson	Winchester Students' Union
Manish Joshi	University of Strathdyde Students' Association
Alys Kaye	Swansea University Students' Union

Clodagh Kennedy	Ulster University Students’ Union
Angie Lefevre	Birmingham City University Students’ Union
Craig Lithgow	Brunel Students’ Union
Lynsey Lloyd	University of Plymouth Students’ Union
Ed Marsh	Middlesex University Students’ Union
Mark McCormack	Bedfordshire Students’ Union
Sarah Newland	Bournemouth University Students’ Union
Tricia O’Neill	Liverpool Guild of Students
Gareth Oughton	University of Leicester Students’ Union
Richard Parkin	Brunel Students’ Union
Rob Parkinson	Warwick University Students’ Union
Claire Platts	Huddersfield Students’ Union
Steve Ralph	Trinity St David Students’ Union
Lorna Reavley	Solent Students’ Union
Paddy Reilly	University of East London Students’ Union
Peter Robertson	NUS
Sharon Satterly	University of Plymouth Students’ Union
Nick Smith	Middlesex University Students’ Union
Kadiatu Songu	Greenwich Students’ Union
Claire Spencer	Loughborough Students’ Union
Lynda Stott	UCLan Students’ Union
Emilie Tapping	Oxford Brookes Students’ Union
Sian Taylor	University of South Wales Students’ Union
Steve Taylor	University of Derby Students’ Union
Jo Thomas	University of Birmingham Guild of Students
Maddy Thompson	LSE Students’ Union
Nathan Townsend	Brunel Students’ Union
John Valericou	Anglia Ruskin Students’ Union
Michelle Viccars	Trinity St David Students’ Union
Ben Ward	Manchester University Students’ Union
Louise White	Manchester Metropolitan University Students’ Union
Michael Wigg	University of Westminster Students’ Union
Martyn Williams	Northumbria Students’ Union
Sophie Williams	Worcester Students’ Union
Xiaolei Xu	Kings College London Students’ Union

Apologies

Attendee Name	**Representing**
Kirsten Baird	Queen Margaret University Students’ Union
Tim Benford	UWE Students’ Union
Jon Berg	Teesside University Students’ Union
Tracey Brenen	Marjon Students’ Union
Josh Clare	University of Gloustershire Students’ Union
Gina Connelly	University of Plymouth Students’ Union
Mark Crook	Warwick University Students' Union

Michael Davies	Marjon Student Union
Christine Dixon	Hertfordshire Students' Union
Salomé Dore	Loughborough Students' Union
Darcy Dunne	Loughborough Students' Union
Anne Elliott	University of Chichester Students’ Union
Nicky Goldthrope	Leeds Beckett University Students’ Union
Rebecca Hobbs	Hertfordshire Students' Union
Andrew Hodgson	Winchester Students' Union
Lorette Keys	Winchester Students' Union
Sam Leahy-Harland	Bournemouth University Students' Union
Trevor Page	Loughborough Students' Union
Daniel Palmer	Cardiff University Students' Union
Matt Robinson	Manchester Metropolitan University Students’ Union
John Schless	Greenwich Students' Union
Donna Smith	York St John Students' Union
Jamie Stratton	Union of Kinston Students’
Judith Strike	Solent Students’ Union