



Students Union Superannuation Scheme

Annual Meeting of Members

11am Thursday 25th February 2021, via Zoom

Agenda:

1. Chairman's Opening Remarks (Peter Shilton Godwin)
2. Chair of Trustees – Executive Summary of the Scheme and Year (Susan Andrews, Ross Trustees)
3. Investment Update (Matt Tickle, Barnett Waddingham)
4. Actuarial Update (Paul Hamilton, Barnett Waddingham)
5. Q&A

CHAIRMAN'S OPENING REMARKS

PETER SHILTON GODWIN



CHAIR OF TRUSTEES – EXECUTIVE SUMMARY OF THE SCHEME AND YEAR

SUSAN ANDREWS, ROSS TRUSTEES



STUDENTS' UNION SUPERANNUATION SCHEME

Susan Andrews

Chair of Trustees

25th February 2021



I WILL COVER:

- Composition of the Trustee Board
- Covid Impact
- 7% Issue Update
- Actuarial Valuation 2019
- Covenant Assessment
- Ongoing Actions

COMPOSITION OF THE TRUSTEE BOARD

Current Composition

- 3 ENTs, 2 MNTs, 1 Independent Trustees and a Representative of the NUS

Changes to the Board

- David Malcolm retired
- Mark Crook appointed
- Ben Ward appointed
- Hugh Boyes stepping down in May 2021
- Pete Shilton-Godwin stepping down as CEO of UCLAN in the coming months and therefore will no longer be eligible to be an ENT. Pete will be putting himself forward as an MNT
- MNT and ENT positions available, information on these vacancies will be issued in due course

IMPACT OF COVID

- Business continuity plans implemented for all advisers and providers and business as usual continued
- Risk analysis
- Mitigation

7% ISSUE

- Annuitants
- Friends Provident

For further detail please refer to the briefing note that was circulated ahead of this meeting.

ACTUARIAL VALUATION 2019



- Reminder of the Process
- GMP Equalisation
- RPI/CPI Increases

COVENANT ASSESSMENT

- Challenges
- NUS
- Failure of a Union

ONGOING ACTIONS

- Incorporation Window
- Restructuring of NUS
- Liability Management – Trivial Commutations and PIE
- Charities Commission Enquiries
- Industry Liaison
- Pension Scams

THANK YOU

Any questions?

We will do our best to answer all questions however if there are any unanswered questions we will ensure these are answered following the meeting.



INVESTMENT UPDATE

MATT TICKLE, BARNETT WADDINGHAM





SUSS Annual General Meeting 2021

Funding & Investment Strategy

Paul Hamilton &
Matt Tickle



Agenda

- I. The impact of the Covid-19 pandemic on assets
- II. 2020 Strategy Review
- III. ESG and sustainability considerations: 2020 and the future?

Monitoring the strategy – the outcome for assets

Actual asset movements against expectations since the valuation



Overall performance since 2019 valuation (pa)
8.4%

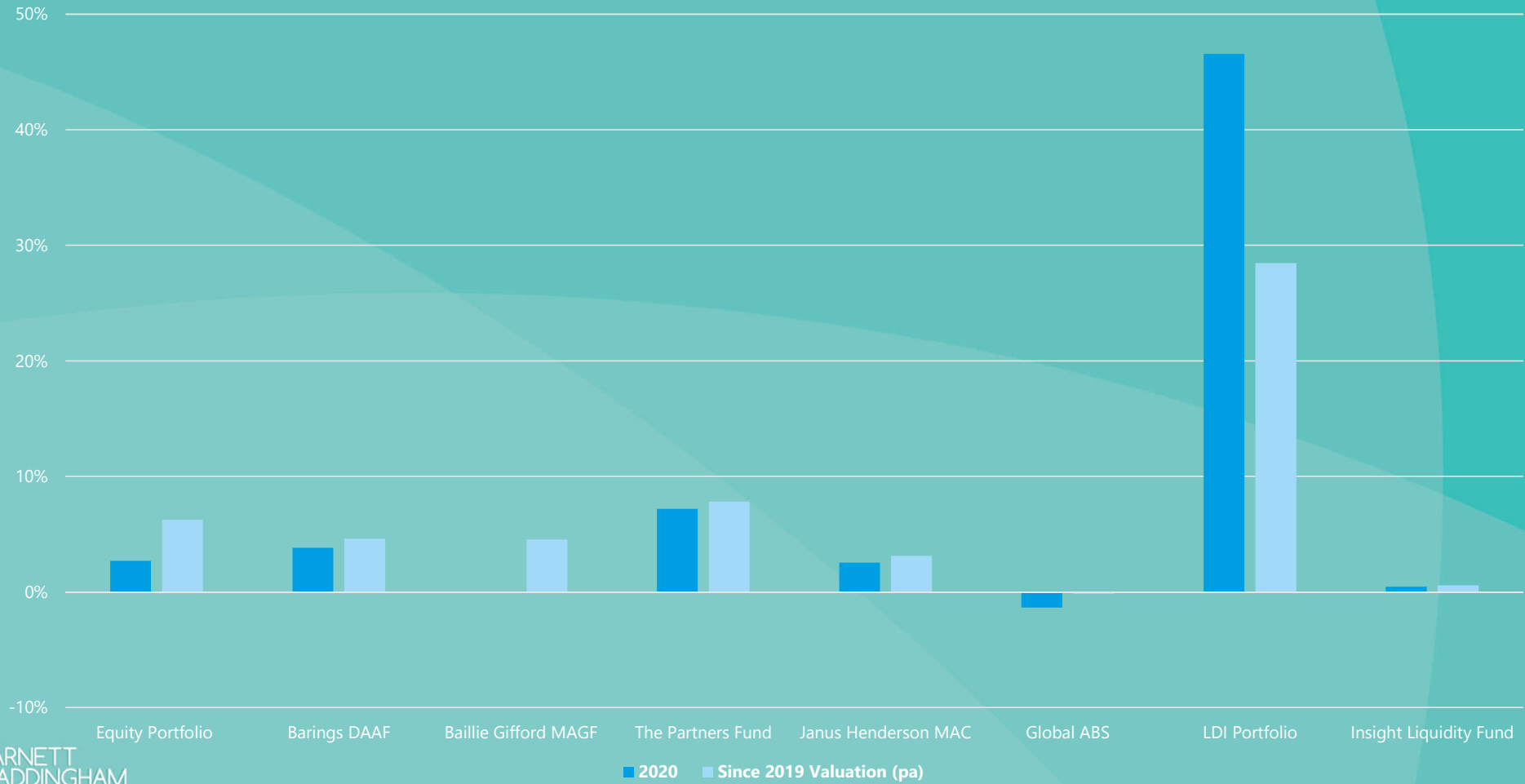
LDI
28.4%

Growth
5.5%

Credit
1.6%

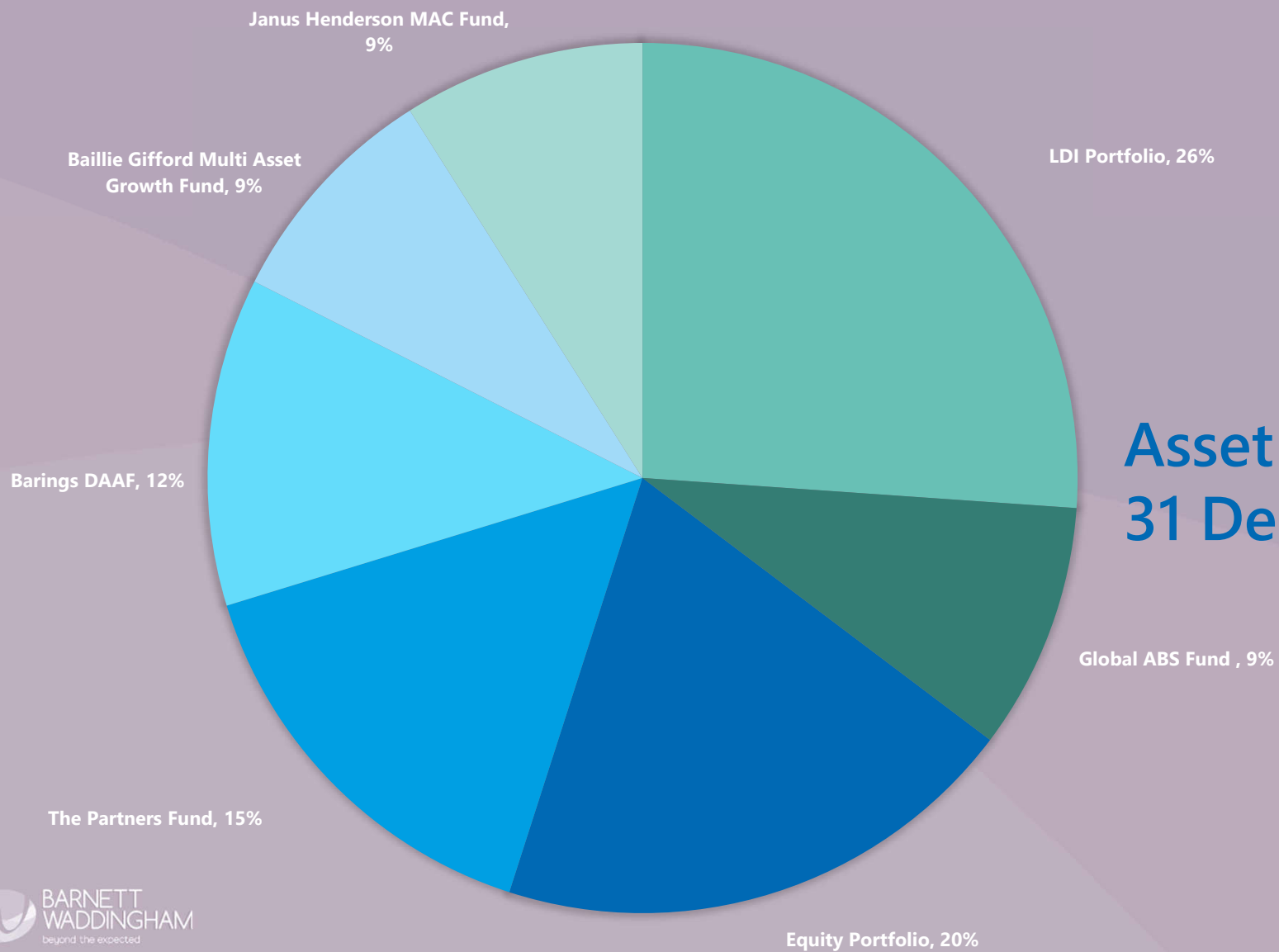
How have the assets fared?

Asset performance



Strategy review

Asset allocation as at 31 December 2020



Changes to the Portfolio over 2020

Implementation

Diversified Growth

- ❖ Replaced Ruffer with the Baillie Gifford Multi Asset Growth Fund
- ❖ Reviewing ESG credentials of Baillie Gifford was part of the selection process

Property

- ❖ Standard Life disinvested all of the Scheme's holdings in the Property Fund
- ❖ Proceeds to be transferred to Partners Long-Term Entrepreneurial Ownership Fund (LEO Fund)

Equity Portfolio

- ❖ Switched to ESG focused funds

LDI

- ❖ **Increased hedging to 45%**

Strategy changes over the year have led to ongoing annual reduction in costs of c£125,000, with savings from negotiations with investment managers and efficient portfolio implementation also saving more than £200,000.

ESG considerations

ESG Considerations



Last year, the Trustee reviewed how we can increase exposure to ESG and climate change friendly investments



As a result, the Trustee switched their passive equity allocation with LGIM to the Future World range of funds, which track ESG-tilted indices provided by Solactive



Switch from Ruffer to Baillie Gifford Multi Asset Growth fund, where reviewing Baillie Gifford's ESG credentials were part of the selection process

Overall ESG Ratings

	Overall ESG Rating	ESG Research Rating	ESG Integration Rating	Stewardship Rating	Climate Risk Rating	Rating Rationale
Baring Dynamic Asset Allocation Fund	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	We have an Acceptable view on the fund for ESG, although it leans towards a 'low end' Acceptable in some areas as the detail around the processes and resource is lacking.
Baillie Gifford Multi Asset Growth Fund	Acceptable	High Conviction	High Conviction	High Conviction	Acceptable	Baillie Gifford's ESG Research and ESG Integration is high quality and their approach to Stewardship is very good. However, the fund has no climate risk related objectives so may still hold investments that are undesirable.
Partners Group Partners Fund	Acceptable	Acceptable	High Conviction	Acceptable	Acceptable	Partners Group are a signatory of the UN PRI and their scores from the UN PRI has been consistently strong. ESG is clearly integrated within the process.
Passive Equity Portfolio	High Conviction	High Conviction	Acceptable	High Conviction	Acceptable	LGIM clearly consider ESG issues in the stewardship of their passive funds. They also have a good record in terms of voting in favour for climate related and other ESG resolutions.
Janus Henderson Multi Asset Credit Fund	Acceptable	Acceptable	High Conviction	Acceptable	Acceptable	Janus Henderson take an integrated consideration of ESG risks to overall credit analysis. Their analysts are all trained to factor in ESG and they place an average to above average on emphasising ESG risks.
Insight Global ABS Fund	Not rated					This fund is currently not rated on ESG.

Key: **High Conviction** The manager is a market leader in this space. They are taking all appropriate steps to integrate ESG analysis by taking into account material ESG issues that could affect the performance of the fund into their process and are therefore most likely to capture any benefit to performance or mitigation to risk that ESG awareness brings.

Acceptable We feel the manager is adequately taking into account material ESG issues that could affect the performance of the fund and may be able to capture any benefit into performance or mitigation to risk that ESG awareness brings. They are not a market leader in this space.

Low Conviction The manager's approach to ESG is inadequate or inferior to the average manager. They are unlikely to be able to capture any performance benefit that ESG awareness brings, and performance may even suffer as a result.

Not Rated We have not undertaken a formal research review of the fund.

2021

On the agenda..

- › ESG in equity portfolio
- › Keeping Funding stable – LDI
- › Keeping track of our plan

ACTUARIAL UPDATE

PAUL HAMILTON, BARNETT WADDINGHAM



2020 Valuation Update (30 June)

£m	2019	2020
Assets	119.1	129.2
Liabilities	260.0	289.2
Deficit	140.9	160.1
Funding Level	46%	45%

+8.5%

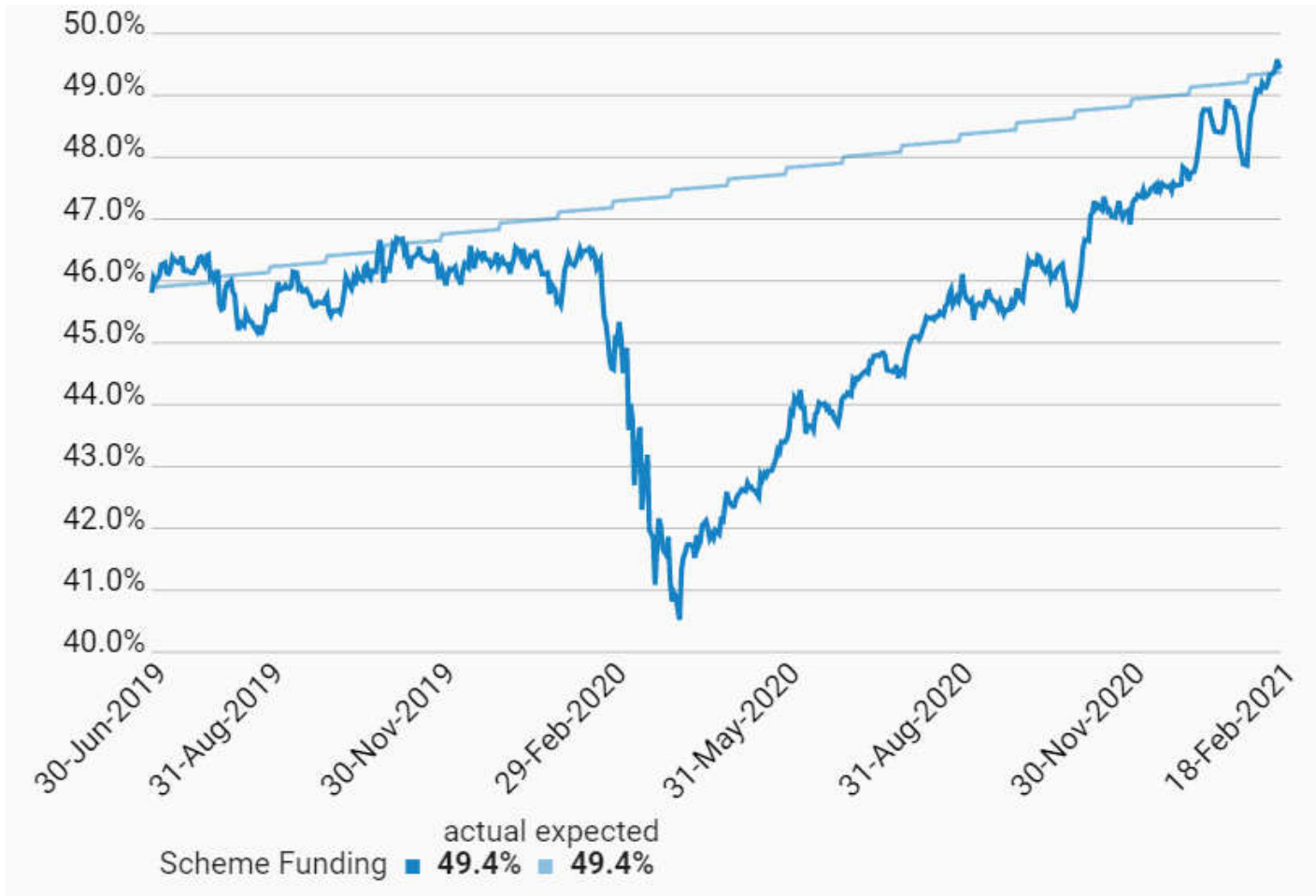
+11.2%

Assets did well
Gilt yields fell 0.8%
Inflation fell 0.3%

Recovery plan

- Recovery plan end date 31 August 2035
- Usually increase by 5% per annum
- Increase in October 2021 will be higher:
 - 8% increase
 - Plus increase to cover cost of 7% exercise
- 4 Unions agreed to pay first 3 years as a lump sum
 - £462,000 paid in November 2020

Since July...



PPF Levy

PPF levies - 2020

- › Scheme received levy invoices in September
- › Levy calculation is a combination of:
 - › the shortfall between the Scheme's assets and its 'Section 179' liabilities, i.e. the value of the benefits that would be provided if the Scheme were to enter the PPF, and
 - › an assessment of the risk that each employer will become insolvent
- › Costs are recharged to unions, based on each union's share of the liabilities and its own insolvency risk (as determined by Experian/ Dun & Bradstreet)
- › 2020/21 levies totalled £1.07m, a slight reduction compared to last year

PPF levies - 2021

The PPF has announced its plans for the 2021 levy. Changes include:

- › They plan to collect around £100m less in levies compared to last year – about a 20% reduction
- › Most factors are staying the same, but the 'levy cap' is being reduced by 50%. In 2019 the SUSS levy was limited to the cap, so this may well result in a much reduced levy in 2021 (but details are TBC)

Depends on several factors, but initial indications are that the SUSS levy may be lower this year.

PPF levies – what you can do

- › The biggest single factor over which unions can influence the levy is their insolvency score.
- › For a hypothetical union with an average share of the SUSS liabilities, if 'levy band' in 2020 was 7 you would have paid around £14,900, but:
 - › If levy band was 6 (lower insolvency risk) the share would have been **£9,600**
 - › If levy band was 8 (higher insolvency risk) the share would have been **£20,800**