



Students Union Superannuation Scheme

Annual Meeting of Members

11am on 28th February 2022, via Zoom

Agenda Item

1. Chair's Welcome & Executive Summary of the Year

2. Scheme Running Costs & Member Discretions

3. Managing Risk

4. Covenant Monitoring

5. The Funding Position

6. Investment Update

7. Scheme Secretariat Team

8. Questions

Owner

Grant Suckling, Chair of Trustees

Mark Crook (ENT)

Nick Gash (MNT)

Ben Ward (ENT)

Paul Hamilton, Scheme Actuary

Pete Shilton-Godwin (MNT) & Dave Moreton, Investment Adviser

Clare Kember, Ross Trustees

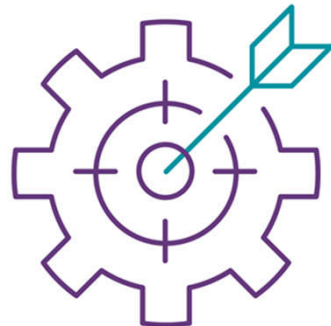
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SUSS: CHAIR'S WELCOME & EXECUTIVE SUMMARY



TRUSTEES

- Grant Suckling – Professional Trustee, Chair
 - Pete Shilton-Godwin – MNT
 - Nick Gash – MNT
 - Ben Ward – ENT
 - Mark Crook – ENT
- More than a voluntary role



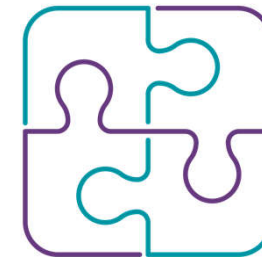
ACCOUNTABILITY

- Pension Schemes Act 2021
 - TPR increased powers;
 - New criminal offences
- 2395 Members;
- Assets £137m; Liabilities £269m (valuation) and £80m+ extra (buyout)
- Recovery Plan to 2035



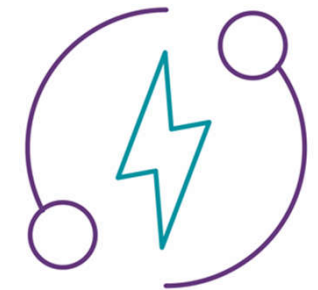
COLLABORATION

- 67 participating employers; NUS – Peter Robertson; BUFDG/AHUA
- Open & Transparent
- Communicating to aid understanding
- Meeting with Unions
- Employer Website
- Incorporations 2022 window 4/7-30/9



2021 FOCUS

- 7% pension increase
- Friends Provident/Aviva
- No silver bullet on funding : PIE Option
- Bulk Transfer UMSU
- Hedging Programme; Mitigating volatility
- Legal adviser review
- PPF scenario testing
- Covenant survey
- Union contributions increased from 1/10

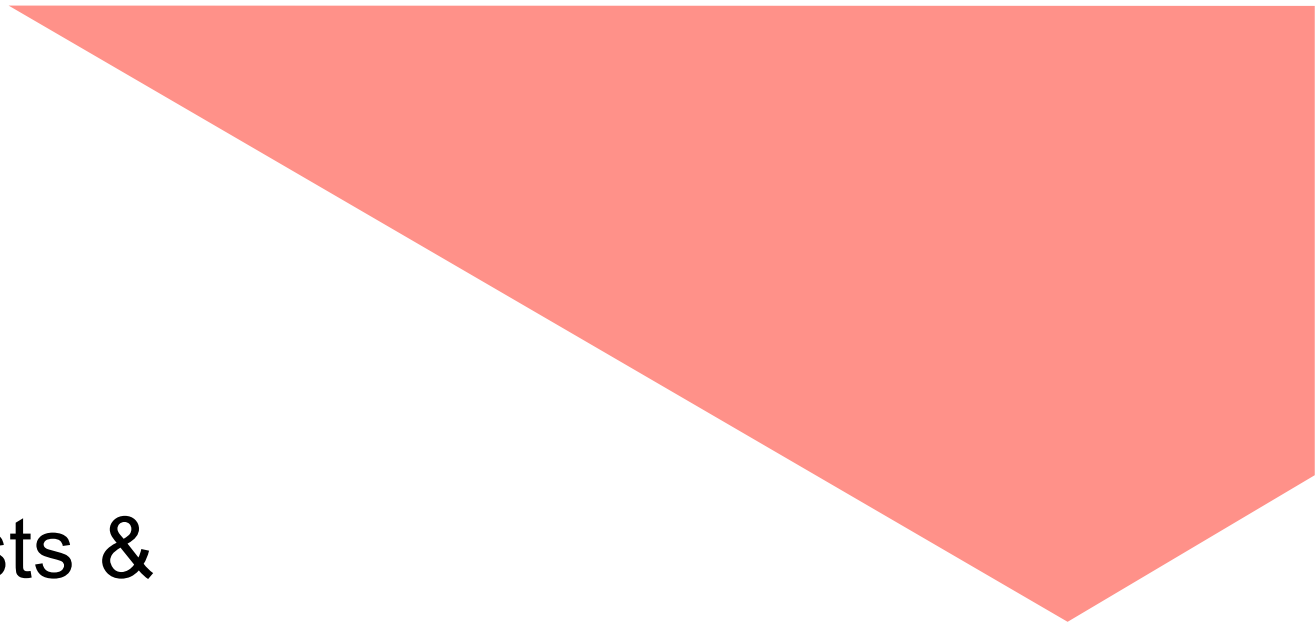


2022 & BEYOND

- Actuarial Valuation
- Covenant Assessment
- Investment – ESG/TCFD/risk/return
- Legislative changes e.g single code of practice
- Pensions Dashboard

UMSU BULK TRANSFER OUT OF SUSS

- UMSU enquired about transferring liabilities to University Scheme
 - UMSU and University's view is that this will result in greater control over assets/liability management.
- SUSS Trustees in principle open to such transfers, subject to:
 - security of any receiving scheme and benefits for transferring members;
 - continued security of benefits for remaining SUSS members
- Costs associated with the transfer borne by UMSU/University
- Potential loss of covenant from exit of participating employer, therefore "covenant premium" applied to transfer payment
- Members with split service across more than one Union; and Members with University Scheme service remain within SUSS
- UMSU member communication being issued today; transfer taking place on/around 31 March 2022



Scheme Running Costs & Member Discretions

Mark Crook



SUSS Running Costs

- ❑ SUSS is not a typical pension scheme – multi employer, closed, members with connections to many employers.
- ❑ Trustees need to aim to get value for money from the resources provided to it by contributing Unions – but cost alone is not the indicator of this – scheme efficiency for members is an overriding focus for Trustees.
- ❑ Trustees have to understand what drives the costs which Unions provide the funding for – fees include professional advisors, investment management, operational administration of the scheme i.e. paying benefits and providing advice and guidance to members and their beneficiaries.
- ❑ More recently this included unplanned for expenditure – the historic error that required resources to resolve.
- ❑ Trustees do aim to ensure that costs remain consistent on a year by year basis.

Budgeting

- ❑ Trustees are responsible for approving and overseeing the budget and ongoing expenditure.
- ❑ Budgets for advisory services provided to the scheme are set on an annual basis based on business as usual activity plus known projects, such as the Triennial Valuation.
- ❑ Trustees are supported in this by the use of a secretariat team, who have the detailed sector knowledge to challenge and benchmark fees – providing assurance on value for money to the Trustees.
- ❑ All advisors are required to work efficiently and that spend incurred should be proportionate to the issues being dealt with. All invoices are scrutinised by the secretariat team before being sent for approval by Trustees.
- ❑ Trustees are provided with quarterly budget monitoring information at each Trustee meetings.
- ❑ Services are reviewed and are subject to tender where considered beneficial to the operational effectiveness and efficiency of the scheme and to value for money.

2021-22 Budget

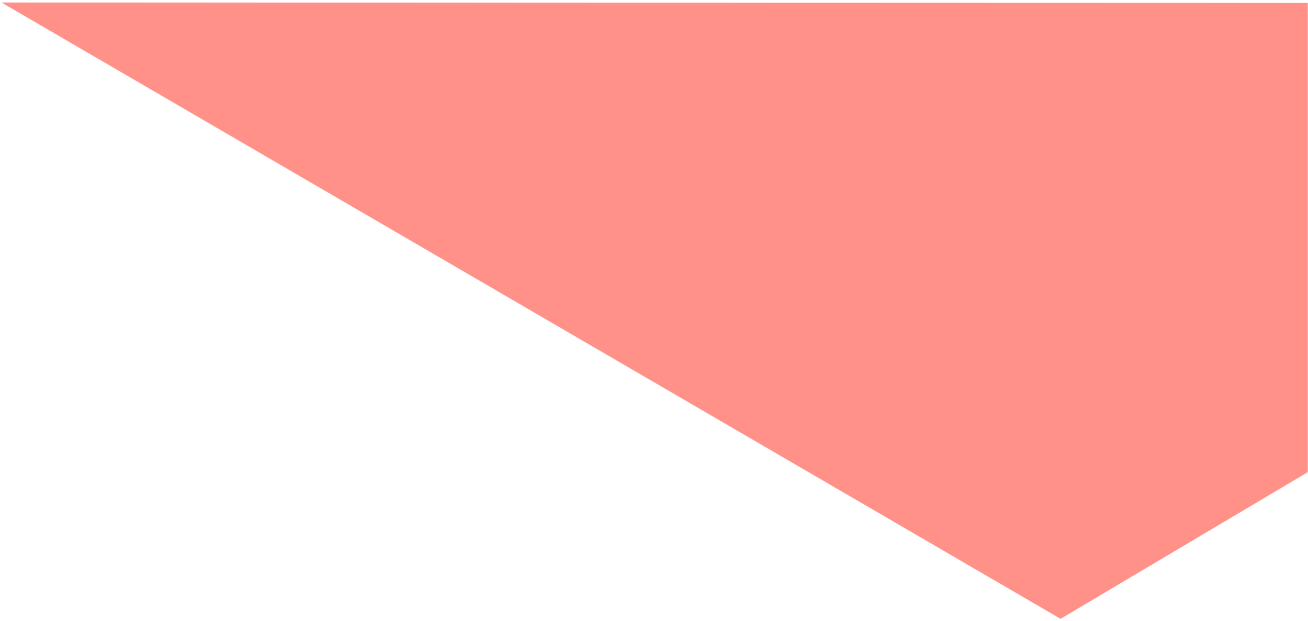
	2021/22 Estimate Costs	2021/22 Costs to Date
Core - BAU	£409,291.69	£224,413.16
Non-Core - Projects	£566,289.25	£241,070.13
Premiums & Levies	£668,852.72	£666,452.72
Total*	£1,644,433.66	£1,131,936.01
Total (excluding levies)	£975,580.94	£465,483.29

Premiums and Levies include amounts collected from employing Unions for Pension Protection Fund

- All advisors were required to review their charging structure and put forward ideas for driving efficiencies
- More activities were brought into the scope of the fixed fee for the Professional Trustee and Secretariat Team
- Trustees have increasingly taken on delegated responsibility for specific areas of the scheme – driving down advisor costs
- New website for employers to provide information – if you haven't yet used it please do so
- Specific actions, such as bulk transfers – costs met by the individual Unions

Member Discretions

- Occasionally Trustees are required to determine on matters affecting members under their discretionary powers.
- This can include matters relating to early retirement on ill health grounds; who receives any beneficiary payment on a members death where there are potentially more than one.
- Law requires Trustees to consider all relevant matters, ignore irrelevant matters to ensure no unconscious bias forms part of the decision making process.
- It is the role of the administrators to collect all relevant facts and information to enable Trustees to make any decision.
- It is the role of Trustees to request further information if they feel it is required.
- Therefore, decisions made are reasonable based on the available information and a record of any decisions made are retained on the members file.



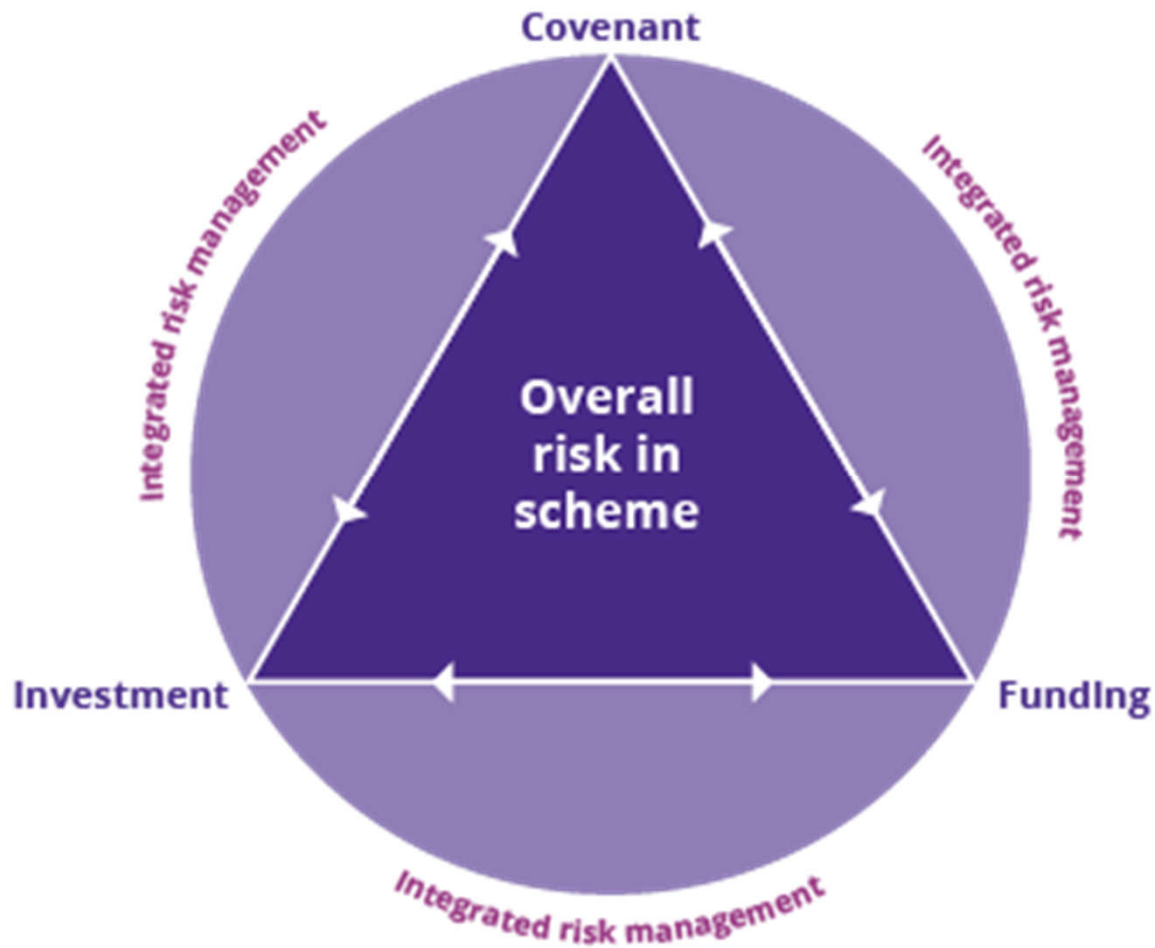
Managing Risk

Nick Gash

Risk Assurance



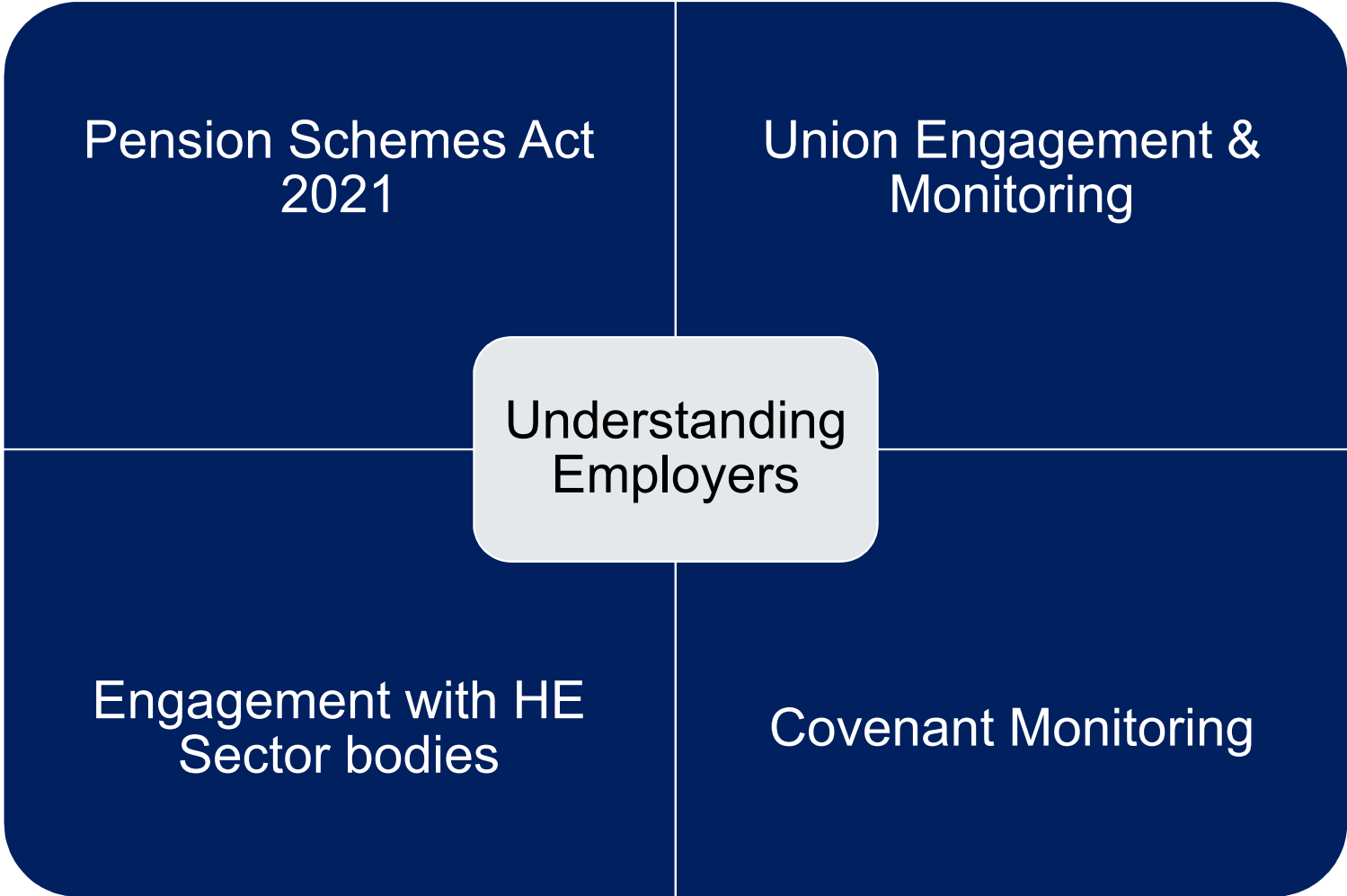
Integrated Risk Management





Covenant Monitoring

Ben Ward



Pension Schemes Act
2021

Union Engagement &
Monitoring

Understanding
Employers

Engagement with HE
Sector bodies

Covenant Monitoring

Pension Schemes Act 2021

- ❑ The Pensions Regulator (TPR) has been taking a more assertive, interventionist approach to its engagement with sponsors and trustees of defined benefit (DB) pension schemes in the face of high-profile corporate failures that have impacted on the security of accrued benefits in DB schemes.

- ❑ New powers have been given to TPR under the Pension Schemes Act 2021 (PSA 2021) which will bolster TPR's ability to scrutinise, engage with, and ultimately penalise corporates and individuals whom TPR considers to be undermining the pension scheme's position.

- ❑ The PSA 2021 contains significant, widely drawn offences that are intended to sanction parties in cases of serious breaches and/or conduct risking DB scheme benefits, including:
 - ❑ The PSA 2021 also includes two new grounds on which TPR can issue a contribution notice.
 - ❑ TPR will also have new, wider ranging information-gathering powers.

Union Engagement & Monitoring

- ❑ The last two years have been some of the most challenging financial years for many Unions
- ❑ Without government support, we know how many employers may have faced financial disaster
- ❑ The trustees wanted to undertake a more agile covenant monitoring as part of our requirements under the new Act
- ❑ Every union affected differently, more scrutiny on the 3 identified 'baskets'
- ❑ Presentations and meetings with senior leaders & trustees

Monitoring 'baskets' for enhanced scrutiny

Basket 1

- More than 45% reliant on trading as a % of turnover
- May have let us know about financial challenges

Basket 2

- Unions with highest % of s75 debt at previous valuation

Basket 3

- Unions with smaller institutions who may have seen drop in student numbers

Engagement with the Sector Bodies

- ❑ Real misunderstanding coming out from Registrars and Finance Directors
- ❑ The role of NUS is clearly misunderstood
- ❑ Key engagement with:
 - ❑ **AHUA** – Association of the Heads of University Administrators (umbrella organisation for Registrars/COOs)
 - ❑ **BUFDG** – British University Finance Directors Group

What more can we be doing as a Board to help your institutions understand?

Covenant Monitoring – Triennial Valuation

- ❑ As we approach the Triennial valuation, the usual covenant monitoring will be conducted; Interpath (formerly known as KPMG) will again be undertaking the work.
- ❑ Unions should expect to receive a request from Interpath in April 2022, allowing Unions to finalise FY21 accounts & raise additional information regarding their trading position post pandemic.
- ❑ Interpath will produce a report summarising the most recent financial information provided by all SUSS Participating Employers.
- ❑ As the Scheme Actuary will then use the information in order to produce the Recovery Plan, your input into Interpath's report is vital.



SUSS ANNUAL GENERAL MEETING 2022

Actuarial Valuation

Paul Hamilton
Scheme Actuary



2021 Valuation Update (30 June)

£m	2019	2020	2021
Assets	119.1	129.2	137.3
Liabilities	260.0	289.2	268.4
Deficit	140.9	160.1	131.1
Funding Level	46%	45%	51%

2019 to 2021:

- Assets performed well
- Gilt yields and inflation both fell in 2020 then rose again in 2021

Since 30 June...

- Care needed as this is an estimate
- Indications are that since early 2021 the Recovery Plan has been 'broadly on track'
- Lots of market volatility and uncertainty
- Impact of Russia/Ukraine?



Recovery plan

- Recovery plan end date 1 October 2035
- Usually increase by 5% per annum
- Increase in October 2021 was higher but will revert to 5% in 2022
- New valuation to be carried out as at 30 June 2022
 - Results expected in late 2022
 - Discussions on funding early 2023
- New Recovery Plan will be in place by October 2023

Recovery plan – not the end of the story

- At 31 January 2022:
 - Deficit £134m (51% funded)
- But cost of insuring benefits much higher!
 - Deficit £215m (40% funded)
- Trustees will be thinking also about what happens next

Other news

- Manchester bulk transfer
 - Slight reduction in deficit for remaining employers
- “GMP” Rectification and Equalisation
 - Complex (but low level) historic benefits
 - Work going on over 2022
- PPF Levy
 - Payable at end of 2022
 - Expect similar level to this year
 - Keep an eye on your D&B score!

Questions – already covered

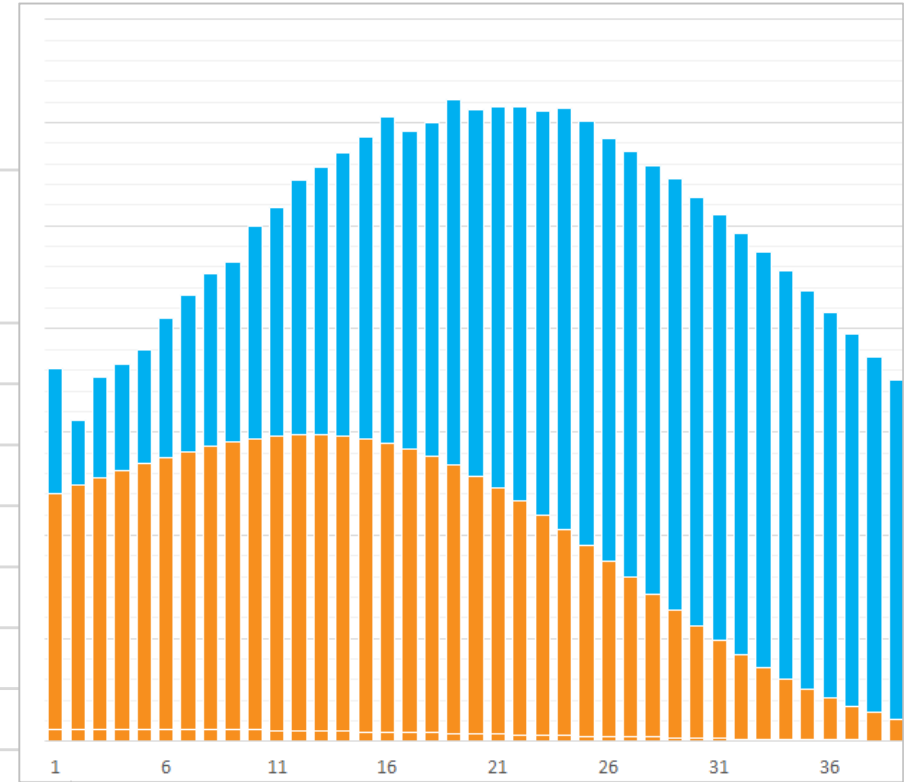
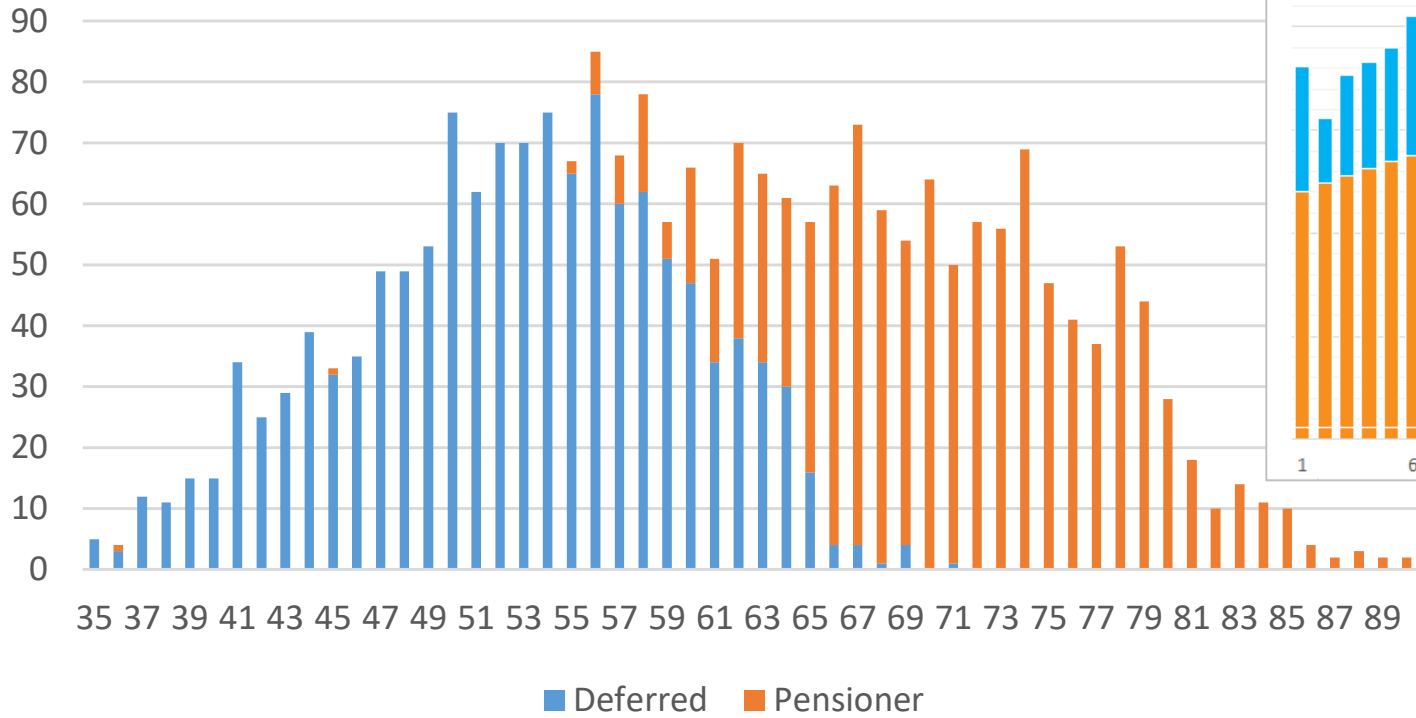
<u>Union</u>	<u>Question</u>
Cardiff	Update on the current position and future outlook
University of Portsmouth Students Union	Is there any indication on how much the deficit will increase?
University of Nottingham Students' Union	Do we have any forward planning ideas on how the triennial revaluation is likely to go, or is it too early?
Oxford Brookes Students Union	Seeing as the next actuarial valuation is due 30 June 2022, when do you expect to start the work and then complete and communicate to members? For example when can Unions expect to be contacted for information to start the process?
University of Leicester Students' Union	What recommendations would trustees provide to our respective boards on modelling for the next valuation, in light of the pandemic
ARU Students' Union	Valuation and affects caused by recent events.
Brunel	Update on progress against flightpath. Plans for 2022.
South Bank Students' Union	About the SUSS, finance Technicalities, valuations of the asset
Ulster University Students Union	Update on current position and forecasts regarding payments in the future
University of Central Lancashire Students' Union	Is there a timeframe for reaching a decision on how the GMP equalisation case ruling will affect SUSS?

Other questions

<u>Union</u>	<u>Question</u>	<u>Answer</u>
UEA SU	Are we beginning to see a change on life expectancy in actuarial assumptions?	To be considered at valuation. Probably too early to say.
Edinburgh Napier Students' Association	Could you please address the potential impact on SUSS of an increase of the yields of UK gilts as a result of the expected tightening of monetary policy in the UK?	Increased yields good news. Does depend upon impact on assets too. Can only account for what we know at valuation date.
Worcester Students Union	Other pension schemes have now managed to already eliminate their shortfalls, why is SUSS still less than 50% funded?	Affordability of contributions required
University of Gloucestershire SU	Should there be a greater number of orphaned members of the scheme in the coming years, is there a plan to support members still in the scheme who will take on responsibility for them?	The orphans can increase (e.g. due to Manchester transfer). In this case, we have extra money to cover cost of orphans. They are a small proportion of total.
the Union, mmu	Numbers of scheme members reaching retirement over next 20 years (the pattern) and when last member is due to retire.	Please see next slide

Maturity profile of SUSS

SUSS - Age profile



Benefit payments



SUSS Annual General Meeting 2022

Funding & Investment Strategy

Peter Shilton-Godwin
& David Moreton



Agenda



- i. Economic update – Year 2 of the Covid-19 Pandemic...
- ii. Investment Strategy – Overview
- iii. ESG and sustainability: 2022 and beyond..

Economic update

An end to the Pandemic in sight?

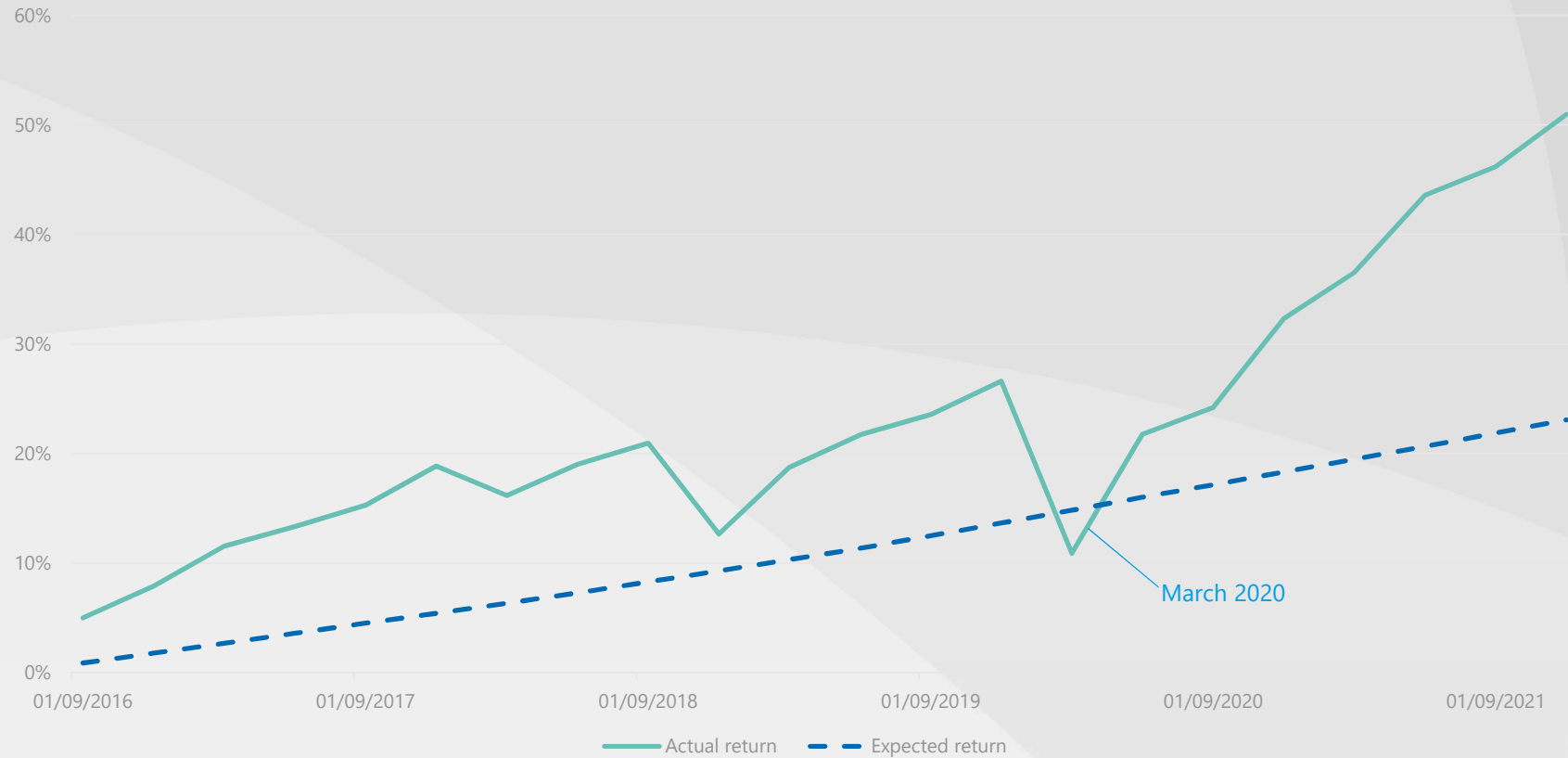
Strong Market Recovery

Volatile Yields

Rising Inflation

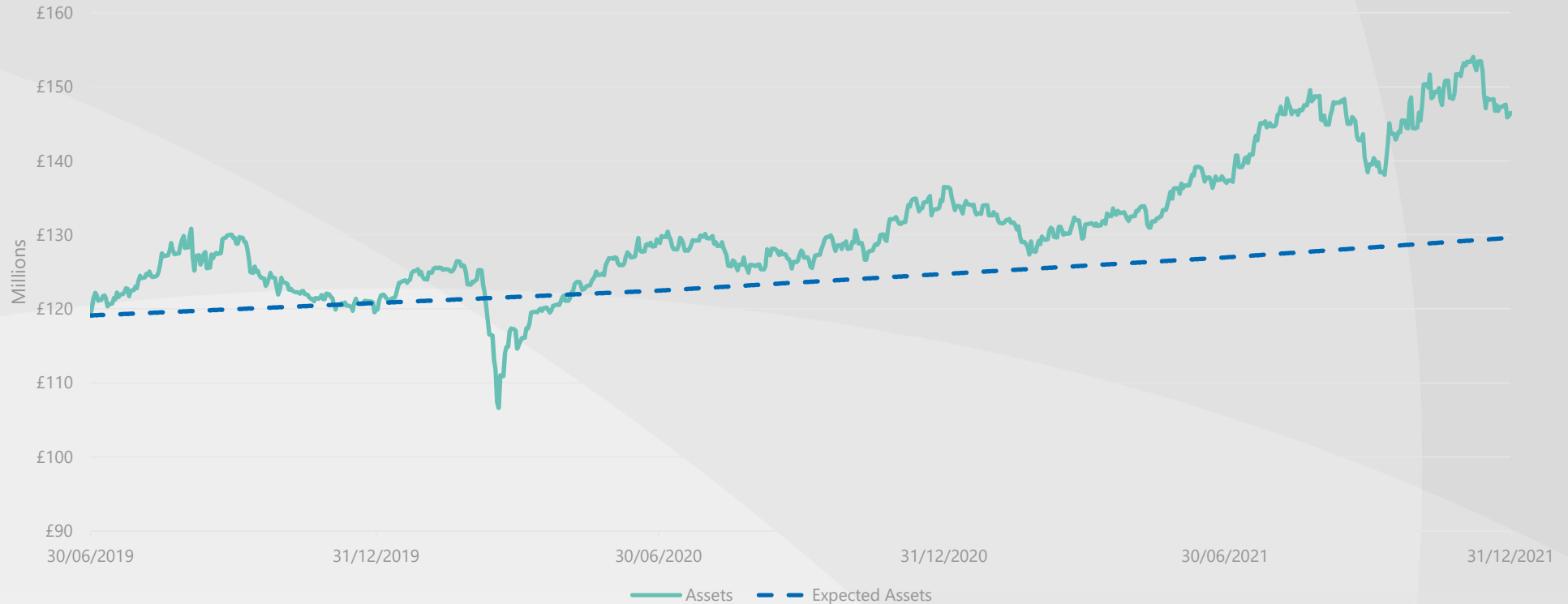
Growth assets vs Recovery Plan expectation

Return on growth assets vs expected return from the recovery plan



Monitoring the strategy – the outcome for assets

Actual asset movements against expectations since the 2019 valuation



Overall performance since 2019 valuation (pa)

8.7%

LDI
12.3%

Growth
9.0%

Credit
2.4%

Strategy Overview

Changes to the Portfolio over 2021

Implementation

Hedging increases

- The periodic hedging increases concluded in December 2020.
- The hedging level was further increased in March 2021 to 49%, following a sharp increase in yields.

Replaced Barings

- Complete disinvestment from the Barings Dynamic Asset Allocation Fund ahead of the Fund's closure in May.
- The proceeds were transferred to the Schroders Diversified Growth Fund (and the Baillie Gifford Multi-Asset Growth Fund was topped up).

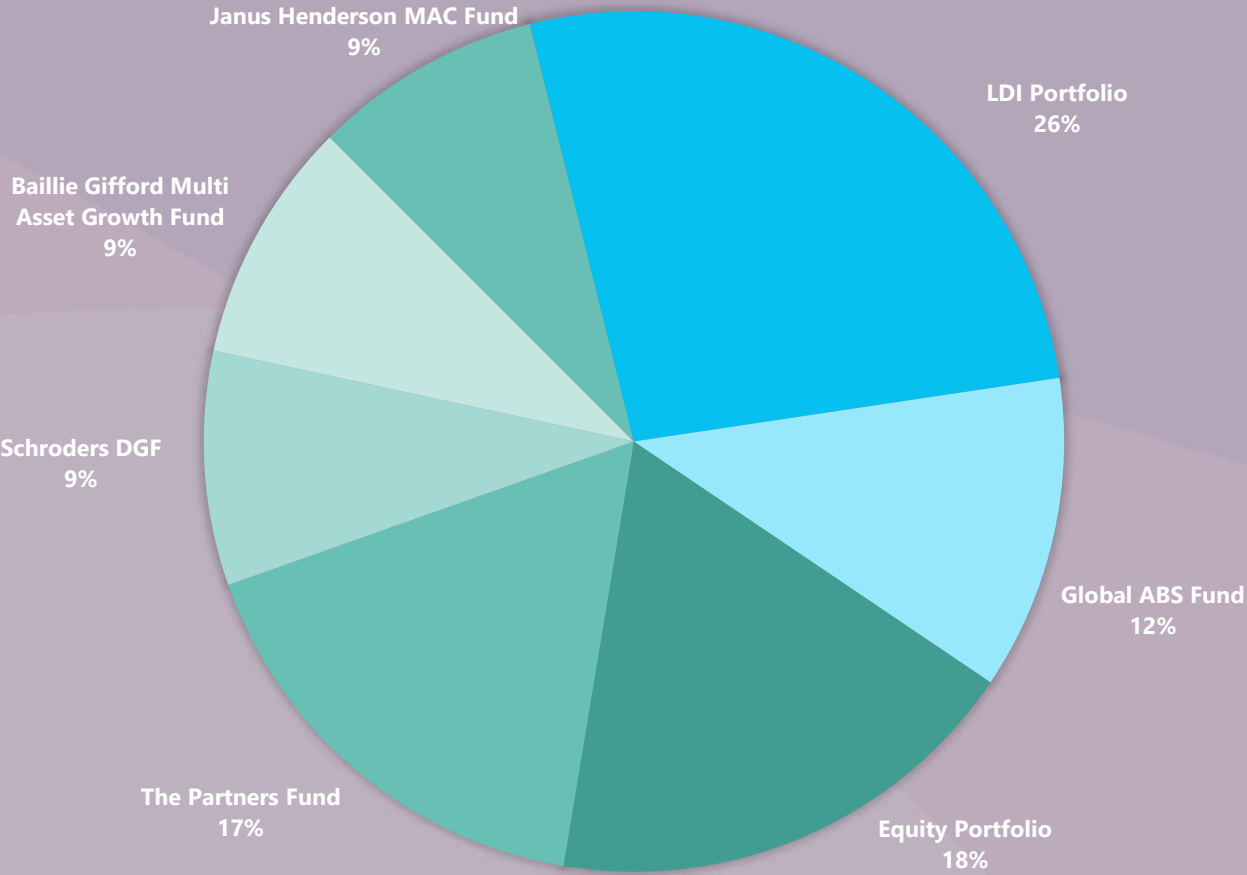
Reviewed collateral waterfall

- Refined strategy to hold sufficient funds in the Insight GABS to meet collateral calls associated with a 1% increase in yields.

Cost control

- Expanded use of the Mobius investment platform on appointment of Schroders as a successor to Barings

Asset allocation as at 31 December 2021



Environmental, Social and Governance considerations

The momentum is growing



Source: PRI

ESG investing

Risk?



Opportunity?



ESG Considerations



ESG is already incorporated into the passive Equity portfolio through the LGIM Future World range of funds, which track ESG-tilted indices provided by Solactive



ESG was a main factor in shortlisting Baillie Gifford and Schroders when deciding where to invest the proceeds from the Barings disinvestment



Q. Is there scope to further incorporate ESG considerations into the asset portfolio in order to protect against the financial risks associated ESG?



Q. Do we go further and look for potential investment opportunities based on ESG considerations in investment being a trend we expect to continue

Q: What are your own organisations pledges?

Q: Do you believe there is an opportunity?

Q: Would you agree that SUSS assets should be tilted towards ESG opportunities?

Key questions on ESG for Unions

Areas for engagement in the portfolio

	Previous Rating	Overall ESG Rating	Individual ratings	Stewardship Rating
Schroder Life Intermediated Diversified Growth Fund	Not Rated	Acceptable	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	Schroders has a Sustainable Investment Team and we have a High Conviction view of their research capabilities. There is evidence the ESG is integrated into the construction of the Fund, however, approximately 25% of the investments are passive with minimal scope for ESG analysis. Overall, we rate the ESG capabilities of the Fund Acceptable.
Baillie Gifford Multi Asset Growth Fund	Acceptable	High Conviction	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	Baillie Gifford's ESG Research and ESG Integration is high quality and their approach to Stewardship is very good. We have not rated them High Conviction as the Fund has no climate risk related objectives so may still hold investments that are undesirable.
LGIM Future World Equity Portfolio	High Conviction	High Conviction	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	LGIM is a market leader in investment stewardship and have a good record in terms of voting in favour of climate and ESG related resolutions. The Future World range of funds that the Scheme investments have clear ESG related screening criteria.
Partners Group Partners Fund	Acceptable	Acceptable	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	Partners Group are a signatory of the UN PRI and their scores from the UN have been consistently high. They have a dedicated Responsible Investment Team and ESG is clearly integrated within the process. We have not rated them High Conviction due to the focus of their ESG research on governance matters as well as not having specific sustainability or climate risk criteria.
Janus Henderson Multi Asset Credit Fund	Acceptable	Acceptable	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	Janus Henderson is a founder signature of UNPRI. ESG analysis is integrated into their credit research and the management of the Fund. We have not rated them High Conviction as their UNPRI score is B as opposed to A though Janus Henderson is of the view that this rating is not achievable unless you have a dedicated sustainability fund.
Insight Global ABS Fund	Not Rated	High Conviction	<ul style="list-style-type: none"> ESG Research ESG Integration Stewardship Climate Risk 	Insight have conducted significant ESG research and thinking about the ESG risks within the ABS market and are well aware of their peers in this regard. Insight also engages with originators of ABS's to ensure greater disclosures of ESG risks.

<p>Key:</p> <p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Not Rated We have not undertaken a formal research review of the fund.</p>
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2021

Looking back...on the 2021 agenda

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

Investment Questions

<u>Union</u>	<u>Question</u>	<u>Answer</u>
Brunel	Are there any plans to diversify the Investment portfolio further into quick growth funds	This already takes place to a very significant degree. There will be a strategy review around the 2022 valuation to ensure we use our latest thinking and views, there are also outside constraints to consider.
Worcester Students Union	Would the trustees recommend a new riskier investment strategy to seek higher rewards and reduce the time it will take to eliminate the shortfall?	Risk has to have a Plan B, and needs to be considered alongside the strength of covenant when looking at the overall funding plan.
York St John Students' Union	How's the planned sell off of the property portfolio	Complete.
Exeter Students Guild	Could you clarify your investment strategy/plans. eg % equity, bonds, other.	An ongoing process, with the next significant point to step back and consider being the 2022 actuarial valuation.

SUSS – SECRETARIAT TEAM

What we do

- Primary contact for all stakeholders
- Experience drives efficiency
- Operational & Strategic support
- Regulatory obligations & Risk Management

Incorporations

- 2021 - challenges
- 16 Unions not yet incorporated
- Incorporations 2022
 - Advise the Trustee by end of May 2022
- Incorporation Window
 - 4th July – 30th September
- Availability of Briefing Note

Employer Website

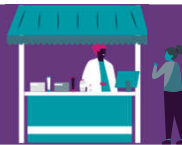
- History of SUSS
- Scheme specific information
- **Guidance**
- **Union specific – ask the Secretariat Team**

Contact Details

- Right person, right time
- Crucial for global communication
- Advise of any personnel changes

Useful Info

- Contact for Secretariat Team:
suss@rosstrustees.com
- Employer Website
<https://www.rosstrustees.com/suss/>



Questions & Answers