A Brief History of SUSS

Introduction

This briefing note is intended to give a brief overview of SUSS (the Students' Union Superannuation Scheme).

SUSS is an occupational pension scheme set up in 1981 to provide pensions in retirement to students' union staff members, including sabbaticals. Some 65 students' unions including NUS are part of SUSS, with around 2,300 individual members either receiving pensions or due to receive pensions once they reach retirement age. SUSS is a defined benefit scheme, meaning there is a guaranteed sum paid annually to the individual after retirement. This sum is calculated based on the member's pensionable salary in the years leading to the earlier of retirement or leaving pensionable service, as well as the number of years the member contributed to SUSS. The calculation varies depending on when the member joined SUSS as explained further below.

SUSS closed to future accrual on 30 September 2011 – this means employees of SUs cannot join SUSS and existing members of SUSS all left pensionable service no later than 30 September 2011 and can no longer build up any further pension entitlement. However, for those SUs in SUSS there remain certain legal obligations towards SUSS, not least ensuring SUSS has enough money to pay the pensions due. At the moment, SUSS has less money than is required to meet its obligations, and for this reason, 'employer contributions' to SUSS will continue to feature in the budgets of member SUs for some years to come. Depending on the number of individual members from a given SU who joined SUSS, this can be a significant sum.

This note aims to help you understand certain key information about SUSS to aid you in your role as a Trustee or executive member of your SU. It will set out a brief history of SUSS and the reasons it closed to future accrual; discuss the present situation and why member SUs must make continued contributions and what may happen next; look at an issue with the historic administration of SUSS that the Trustees have identified and what this may mean for SUs; and indicate where further information on SUSS can be found. There is also a glossary of abbreviations at the end of the briefing.

A brief history of SUSS

When SUSS was launched in 1981, SUs did not generally employ large numbers of staff. However, numbers were steadily growing, and with them an understandable desire for some form of pension provision. Although some SU staff could access alternative arrangements through their parent institution, in many cases this was not possible, and SUs were often too small to be able to run their own scheme given the way pensions operated at that time. Moreover, staff would often move between different SUs (much as they do today) and leaving and joining separate schemes would be administratively complicated. Given these considerations, and as organisations founded on the principle of collective action, a joint pension scheme for the movement was seen as the ideal solution.

As with most occupational pension schemes, both the individual and the employer made contributions based on a percentage of the individual's salary. This money was invested in various financial assets including company shares, government or company bonds, property and so forth, with the aim of generating enough income from these assets to pay pensions when they fell due on retirement.

Originally SUSS offered pensions based on the final salary of the individual at the time they retired or left service with the SU and the number of years of contributions, in common with almost all pension schemes then available. However, by the early 2000s this arrangement became unaffordable, not least because of ever greater life expectancy – that is, pensions needed to be paid for more years than was assumed to be the case in the 1980s. In addition, a number of pension fund scandals, most notably that involving Robert Maxwell and the Mirror newspaper group, resulted in a much stricter regulatory framework which required far more caution when making assumptions. Finally, there were periods when investments did not perform as well as anticipated. For these reasons, by 2000 SUSS had a deficit of around £25m – in other words, it had fewer assets than it needed to pay the pensions due. For this reason, two changes were made: first, in 2000, the age at which pensions were paid was increased from 60 to 65. Secondly, SUSS changed in 2003 to a 'CARE' scheme (Career Average Revalued Earnings). Thereafter, pensions were based on the average salary over the period the individual paid contributions into SUSS rather than their final salary, although any entitlement that had built up by reference to their final salary before this date was preserved. This change to CARE reduced the final cost of pensions.

Despite this change, the financial crisis of 2007 would mean even greater challenges as share prices fell and other investments suffered. The deficit increased to £48m by 2010 and, given the economic problems then facing the UK, it would likely only increase. Although most pension schemes faced similar pressures, for SUSS there were particular risks. Each participating SU has a 'share' of this deficit based on the number of individual members of SUSS it employed. For most SUs this share would have been ruinous if the entire amount became due in one go – as would be the case under law if any SU ceased to employ an individual member of SUSS or suffered an insolvency event (known as triggering a 'section 75 debt' in the legal jargon – in fact the SU's share of the deficit would be based on a more cautious assessment of the liabilities based on the estimated cost of securing annuities for all members with an insurance company). If they could not pay, their share would then be apportioned among the remaining SUs, further increasing the burden on each of them.

Many SUs had only a few individual members and very limited cash or other assets of their own in the event they had to pay their share of the deficit. As such, the risks were clearly unacceptably high. Following an extensive consultation with SUs and NUS, the Trustees took the decision to close SUSS to future accrual from October 2011. However, each SU who participated in SUSS remains responsible for its share of the deficit in regard to the pension entitlement built up prior to that date.

SUSS is managed by a Trustee board of five: two employer-nominated Trustees, two member-nominated Trustees and one independent Trustee who is an expert in pensions. There is a complex legal framework around pension schemes but in essence the Trustees are responsible for ensuring the individual members receive the pension entitlement they are due, according to the rules that govern SUSS, through prudent investment of the scheme's assets. In this duty, they must be careful to consider the employer 'covenant' – that is, the financial health of the SUs and how this affects their ability to fulfil their obligations – but their ultimate responsibility is to the individual beneficiaries of SUSS. To be clear, employer-nominated Trustees do not represent their individual SU, or the participating SU as a whole.

Instead, SUs who participate in SUSS are represented by NUS, in its capacity as 'principal employer'. NUS takes this role for two reasons: it is the membership body for SUs, and it is also the largest single employer in SUSS. A representative of NUS senior management attends Trustee meetings in a non-voting capacity, and liaises with the other SUs in SUSS to ensure all participating SU views are understood when the Trustees make their decisions. Where employers are required to agree to changes, NUS will act on their behalf, following suitable consultation with the other SUs.

Day-to-day administration of SUSS is undertaken by a specialist company, Barnett Waddingham LLP, and the Trustees are also advised by a number of professional experts, including actuaries, investment advisers and lawyers; the Trustees are also supported by a professional Scheme Secretariat team, who oversee Scheme governance and regulatory compliance.

SUSS today – and what this means for your SU

Perhaps the most important matter for you as a sabbatical or student Trustee is the contribution your SU is making to close SUSS's deficit. Where a 'defined benefit' scheme like SUSS has a deficit – that is, its assets are not large enough to meet the pension entitlement individuals have built up - their employer (or former employer) is obliged to make up the difference. Moreover, the Pensions Regulator requires Trustees to have a recovery plan in place for SUSS so that the deficit is closed reasonably quickly (by the standards of pension schemes). If they do not, or if the recovery plan is deemed inadequate, the Pensions Regulator may impose their own recovery plan. SUSS' current recovery plan aims to close the deficit by 2037 – so that the annual deficit contributions are as low as possible for Sus.

However, the deficit does not necessarily remain static even though SUSS is closed to future accrual. One of the key drivers for the deficit is the price of government bonds (also known as 'gilts'). These are low risk investments, and pension schemes are strongly encouraged to invest in them heavily. The problem for pension schemes is that, although the face value of gilt investments has increased, the yields received (that is, the regular cash return) on gilts is currently very low by historic standards, driven by a strong demand for gilts as 'safe' investments in what has been a turbulent period for investments over the last decade.

SUSS has also had to deal with an historic issue arising from its legal documentation which has meant increasing pensions for a number of members who had accrued pensionable service in SUSS in the late 1980s and early 1990s. This issue has recently been resolved and is explained in more detail below.

As a result of both the fall in gilt yields and the historic legal issue, the SUSS deficit has continued to be volatile (as with many other schemes), despite both the closure of SUSS and above-expected returns on our other investments. This has impacted the annual deficit contributions for Sus.

Under pensions law, the Trustees must undertake a regular official valuation of their scheme by an actuary (a profession which deals in the assessment of risk). The results of this valuation show the extent to which the scheme does or does not meet its funding requirements. From these results, a revised recovery plan and changes to contributions are put in place, if they are required. This is captured in formal documents that are submitted to the Pensions Regulator.

The Trustees must conduct a valuation on a triennial basis (that is, every three years). The last valuation process for SUSS looked at the scheme as it stood on 30 June 2022. This showed the deficit stood at £136.6m. The headline results of the 30 June 2022 Actuarial Valuation can be found below:

	30 June 2022 £m
Assets	£106.7
Liabilities	£240.3
Expense reserve	£3.0

Deficit	(£136.6)
Funding Level	44%

The Trustees have taken steps to ensure that the level of contributions remains affordable for participating employers. The Trustees have reviewed the assumptions in light of current market conditions and demographic factors and adjusted them accordingly. The Trustees have also taken advice from Schroders, the SUSS's investment advisers, on the expected return on investments held over the recovery plan period.

In summary, the usual increase of 5% due in October 2023 will proceed as planned, with a subsequent increase of 5% each 1 October until the end of the deficit recovery period, which is now expected to be in May 2037. Contributions due from 1 October 2026 onwards, and the length of the recovery plan, will be reviewed following the next actuarial valuation. The Trustees have offered participating employers the option of paying a discounted lump sum instead of monthly contributions between October 2023 and September 2026. The Trustees have also offered the option of extending this pre-payment period to cover either a 6 year or 9 year period from October 2023.

To reiterate, in making such decisions the Trustees are very conscious of the impact on SUs, but ultimately, they are responsible for ensuring pensions are paid and that the deficit is closed as quickly as possible. In closing SUSS in 2011 the most drastic action to limit the deficit has already been taken in respect of individuals. The Trustees will continue to invest carefully to help reduce the deficit, including in 'liability driven investment' which reduces the impact of falls in gilt yields. If the yield (or return) on gilts improves in the next few years this should reduce the deficit – but this is by no means certain and investment alone will not eliminate the need for deficit contributions to be paid for the foreseeable future.

The reduction in funding level from 52% to 44% from the previous Actuarial Valuation as at 30 June 2019 is a result of the Trustees adopting a more prudent set of assumptions as at 30 June 2022 to target a long-term target.

The ultimate aim is to 'buy out' the benefits of SUSS completely by paying an insurance company to take over SUSS and pay pensioners from that point onwards. To do so, however, SUSS must have enough assets to pay pensions and to have built up a 'cushion' of extra assets. Although we can move towards this goal in stages, we will not be able to consider that exercise until the deficit is cleared, and that is still some years away.

Manchester Bulk Transfer

In 2021, the Trustees were approached by University of Manchester's Student Union ("UMSU"), and the University of Manchester ("UOM") about the possibility of transferring the liabilities in respect of former employees of UMSU out of SUSS, and into another suitable pension scheme provided by UOM, the University of Manchester Superannuation Scheme. The bulk transfer was ultimately made to the University of Manchester Superannuation Scheme in March 2022.

The Trustees are open to such a transfer, but the primary concerns will be to ensure the security of benefits for any transferring members, and the continued security for our remaining SUSS members. See separate briefing note on "[How a bulk transfer from SUSS works".](#)

The Trustees are committed to allowing options to help individual unions manage the risk within SUSS, so long as that can be done in a way that doesn't endanger the security of members' benefits, or create a situation which seems unfair on other unions. This page of the website looks at the options that are available to unions with SUSS currently, to try to help with this. There are four options that the Trustees consider to be viable, which are outlined in the document.

Historic legal issue
The current Trustees have been dealing over recent years with a historic issue relating to the way pensions increases were understood to apply to SUSS.

When the scheme was established in the early 1980s there was no requirement to increase guaranteed minimum pensions ("GMPs") once in payment; SUSS contained a rule that any excess pension over GMP increased at 7%.

In 1988 the law changed, and a requirement was introduced to increase GMPs by 3%. The then Trustees took advice and agreed to change the increases so that the whole pension in payment increased by 3%. An announcement was sent to all existing members, and booklets were provided to new entrants, referring to 3% increases on the total pension in payment. However, the announcements and booklets were not enough to effectively amend the legal provisions of SUSS as required by the scheme's governing provisions. That could only be done in writing signed by NUS and the then Trustees.

The necessary written instrument was not put in place until 31 December 1993. As it is not possible to back date an amendment except in limited circumstances, this meant that the scheme was required to continue to apply 7% increases on the excess pension until 31 December 1993.

When the current Trustees became aware of this issue they searched extensively, as did NUS (the scheme's principal employer), all previous advisers, and previous Trustees, but could not find anything that met the requirements of the scheme's trust deed for the period 1988 to 1993.

Remedial steps taken – the compromise offer to affected members
The Trustees worked closely with the NUS to structure a compromise offer to impacted members. In order for this exercise to be effective, each affected member was asked to consent to accept lower pensions increases than they were entitled to for the period of pensionable service between 1988 and 1993 in respect of their own benefits. If a member did not consent (or did not respond), their benefits would remain unaltered and 7% increases would continue to apply for the relevant period (1 October 1988 to 31 December 1993).

Possible claim against Aviva/Friends Provident
The NUS and the Trustees previously entered into a standstill agreement with Friends Life and other associated companies in order to preserve any time limits in relation to a potential negligence action against Friends Life for failing to properly document the proposed changes to pensions increases with effect from 1 October 1988 or failing to bring this defect to the then Trustees' attention. Whilst the standstill agreement was renewed on a number of occasions to allow further investigation; ultimately in April 2022, following legal advice, including a Leading Counsel's opinion, the Trustees decided not to renew the current standstill agreement and not to pursue an action against Friends Life and other associated companies in relation to this issue.

The Trustees remain in discussion with Aviva/Friends Provident in order to identify certain data relating to certain annuitants, where the policies are held by Aviva/Friends Provident and where the Trustees do not currently have sufficient data to assess whether this issue affects them. Once the position is clarified with Aviva/Friends Provident in relation to these annuitant members, the Trustees will look to resolve the position for this group (to the extent they are affected by the issue); however this will be purely in respect of ensuring members are receiving the right benefit or whether any remediation is required.

The future

Now that the historic issue has been resolved, the Trustees will continue to manage SUSS, ensuring pensions are paid as they fall due, investments are made carefully, and deficit contributions are collected.

More generally, the numbers of current SU staff who are individual members of SUSS is dwindling over time, and with them the institutional knowledge of SUSS. For this reason, it will also be vital to ensure that newer staff, as well as officers and SU Trustees, have access to information, and this briefing is part of that work. There is also an annual meeting of SUSS open to all participating SUs and we encourage you to ensure your SU is represented. Please ensure that you notify the Scheme Secretarial team on suss@weareigg.com if you have any changes of staff within your union.

The Trustees and its advisers will continue to ensure full compliance with legislative changes including the new Single Code of Practice, expected to be implemented later this year. The Trustees have taken a pragmatic approach to the Code and many of the requirements are already in place for the Scheme. The Trustees have been provided with training on the Pension Dashboard and will be working with the Scheme's administrators to prepare the Scheme for the introduction of the Pensions Dashboard, for which the go live date for SUSS is August 2024. The Trustees will also continue to work with the Administration and Actuarial teams to complete the GMP projects.

PPF Levy Mitigation - How do I monitor my D&B insolvency score?

Your D&B insolvency score has a big impact on the amount of PPF levy your union will need to pay each year, so it is very important that you monitor your score to ensure that it is correct.

It is the responsibility of individual unions to check their score is correct, not the Trustees. To help you do this, details are set below, which are the same as have been circulated to the unions in previous years.

There is an 'employer portal' which is designed for employers who wish to view their D&B score. The website can be found here: Pension Protection Score Portal (ppf.co.uk).

To access this portal to view your specific information, you will need to provide:

- An email address
- The Pension Scheme Registration (PSR) number for SUSS – this is **10149211**
- The Companies Registration Number, Charity Number or Unique D&B PPF ID Number for your union.

If you are having trouble registering then we can provide you with the Unique D&B PPF ID Number for your union. The best way to obtain this is to contact StudentUnionConsult@Barnett-Waddingham.co.uk.

We recommend that you use this portal to check the information that D&B hold in relation to your union. The information held should include the union's latest financial data, the union's rating under the model ("Pension Protection Score"), and the scorecard used by D&B to calculate this rating – most SUSS employers will be on the "not-for-profit" scorecard.

The insolvency score is translated into a levy band between 1 and 10 – with band 1 being the best possible score, and band 10 the worst. Your levy band affects the amount of levy you pay each year.

If any of the information is incorrect or out-of-date, you should contact D&B directly about this using the details below. You may need to submit copies of your accounts directly to them.

Tel: 0345 600 2541

For most employers, D&B should pick up your annual accounts automatically from Companies House or the Charities Commission, however they do not do this for Scottish or Northern Irish charities, so those unions need to submit their annual accounts directly to D&B each year. Unions incorporating may also need to submit a first set of accounts for the new entity directly to D&B.

When requesting access, you will need to select either DUNS number, CRN or Charity Number from the drop-down list to ensure that you are requesting access only to your union's D&B scores.

Further information

We send regular newsletters to participating SUs with updates on SUSS. In addition, the Trustees would be happy to answer any specific questions on SUSS. Please contact us at suss@weareigg.com in the first instance.

Employer website:
Students' Union Superannuation Scheme - Independent Governance Group (weareigg.com)

We would also be happy to receive comments on this briefing note and whether it is useful – again please email the address above.

Glossary of abbreviations

CARE	Career Average Revalued Earnings
LLP	Limited Liability Partnership
NUS	National Union of Students
SUs	Students' unions
SUSS	Students' Union Superannuation Scheme