



Students Union Superannuation Scheme

Annual Meeting of Members

11am on 12th March 2024, via Zoom

Timings	Agenda Item	Owner
11:00	1. Chair's Welcome & Executive Summary of the Year	Grant Suckling, Chair of Trustees
11:15	2. Legal Update	Paul Feathers and Alison Kime, Legal Adviser
11:30	3. Union Options	Chris Ramsey, Scheme Actuary
11:50	4. Actuarial Valuation	Chris Ramsey, Scheme Actuary
12:05	5. Principal Employer Update	Peter Robertson, NUS
12:15	6. Investment Strategy Update	Pete Shilton-Godwin (MNT) & James Faupel, Investment Adviser
12:35	7. Covenant Monitoring	Ben Ward (ENT)
12:45	8. Questions	All

Chair's Welcome & Executive Summary of the Year

Grant Suckling, Chair of Trustees
Annual Members Meeting 2024

SUSS: CHAIR'S WELCOME & EXECUTIVE SUMMARY



TRUSTEE	ACCOUNTABILITY	COLLABORATION	2023 FOCUS	2024 & BEYOND
<ul style="list-style-type: none"> • Grant Suckling – Professional Trustee, Chair • Pete Shilton-Godwin – MNT • Nick Gash – MNT • Ben Ward – ENT • Mark Crook – ENT <p>More than a voluntary role.</p> <p>We continue to have a vacancy for an Employer Nominated Trustee on the Board.</p> <p>Succession Planning Governance Structure</p>	<ul style="list-style-type: none"> • 2330 Members; • Assets £97.0m; Liabilities £193.0m (valuation) and £25m+ extra (buyout) • Recovery Plan to 2037 	<ul style="list-style-type: none"> • 64 participating employers; NUS – Peter Robertson; BUFDG/AHUA • Open & Transparent • Communicating to aid understanding • Meeting with Unions (2 x in 2023) • Employer Website • Incorporations 2024 window 1/7-30/9 	<ul style="list-style-type: none"> • Actuarial Valuation • Cyber Security/Resilience following Data Breach • Adviser Reviews (Administration/Actuarial) • Hedging Programme; Mitigating volatility • Investment strategy implementation and focus on ESG/TCFD • PPF scenario testing • Union contributions increased from 1/10 (as planned) and options for 3/6/9 year lump sums • GMP Equalisation Preparation 	<ul style="list-style-type: none"> • GMP Equalisation Completion • Employer Exits and Union Options • ENT Vacancy • Investment – ESG/TCFD/risk/return • Legislative changes e.g. General Code of Practice (Risk Management, ESOG and ORA) • Pensions Dashboard • Cyber Resilience • Covenant Assessment

Legal Update

Paul Feathers and Alison Kime, Legal Adviser
Annual Members Meeting 2024

Legal issues for SUSS employers

Paul Feathers and Alison Kime

12 March 2024

Who are we and why are we here?

- Legal advisers to the Trustees
- Advise on the law, the SUSS Rules and the Trustees' legal duties
- Working with the Trustees and their other advisers to ensure that employer departures are legal and comply with the requirements of the SUSS Rules

What happens when employers leave SUSS?

- Two situations:
 1. Insolvent employer leaves the scheme
 2. Solvent employer leaves the scheme
- What does the law require, what do the SUSS Rules say and what are the Trustees' powers and duties?

Insolvent employer

- Pension Protection Fund (PPF)
- What does the PPF do?
- The role of the Trustee
- What is the impact on the remaining employers?

Exit of a solvent employer – the process

- The Rules of the Scheme – require the employer to give notice in a prescribed form to the Trustees
- Deed of Cessation – signed by NUS, Trustees and exiting employer
- Payment of a debt to the scheme

What happens after an employer has left?

- Release of employer after payment of the debt
- What is the impact on employers that remain?
- Why are some employers thinking about leaving?

Principal Employer leaves the scheme

- What is the Principal Employer and how is it different to other employers
- What do the Rules provide?
- Appointment of a new Principal Employer



GOWLING WLG

Union Options

Chris Ramsey, Scheme Actuary
Annual Members Meeting 2024

Employer exits



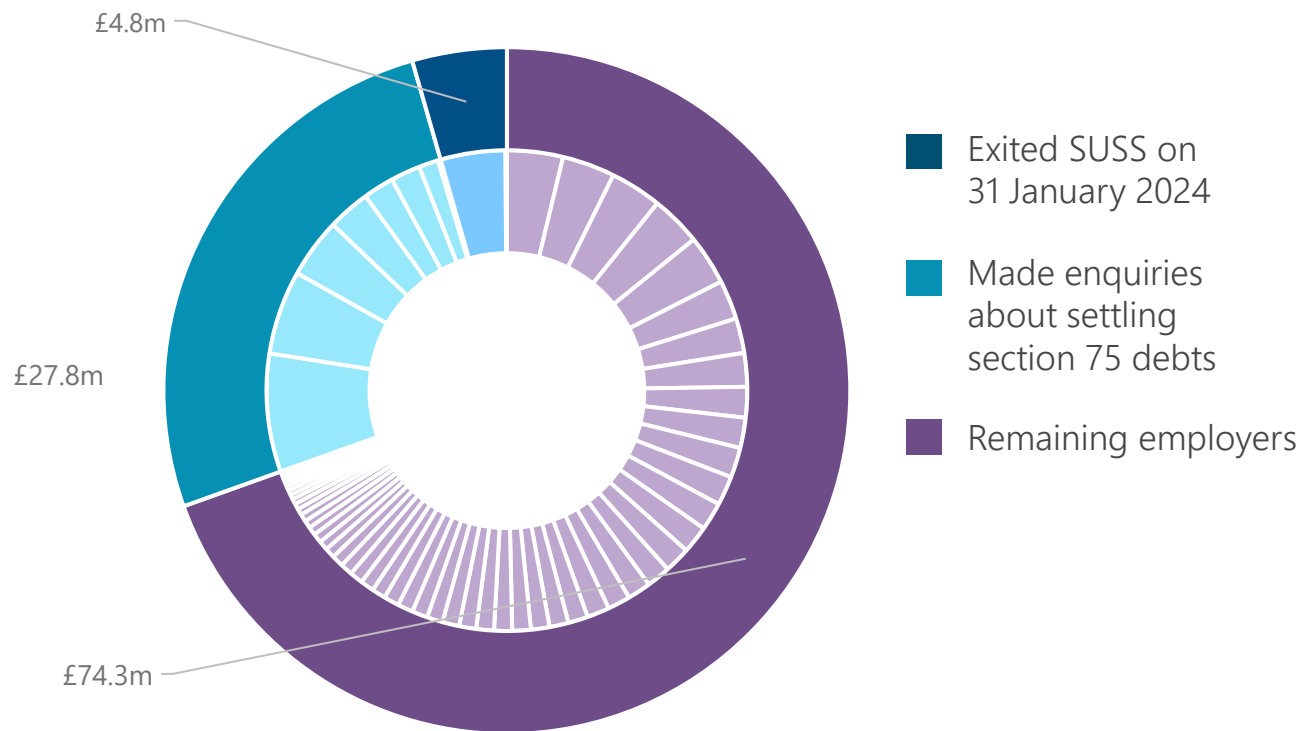
Employer exits and impact on SUSS

Exeter University and Queen Margaret University unions exited the Scheme on 31 January

In exchange a total debt payment c£4.8m

Several other unions have made enquiries about exiting

Breakdown of potential section 75 debt by Employer



Pay Section 75 debt and exit scheme

Exiting union's perspective

Benefits

- No further obligation to SUSS
- All pension risk removed
- In cash terms, less expensive than in recent years (because of rising interest rates)

Challenges

- Section 75 debt based on solvency deficit (more than funding) – i.e. buy-out cost plus wind-up expenses
- Debt higher than share of SUSS's solvency deficit (due to losing benefits of scale)
- Legal and actuarial expenses due for exit, and expenses associated with own advisors



Employer exits and impact on SUSS

Example remaining union position

	Before any exits	Exeter and Queen Margaret only (c£4.8m)	All unions enquired (c£32.5m)
Share of funding liabilities	5.0%	5.2%	7.2%
Share of funding deficit	£4.4m	£4.3m	£4.0m
Share of buy-out deficit	£5.3m	£5.3m	£5.3m

The Trustees will carefully consider whether any changes should be made to their investment strategy following any employer exits to protect the remaining employers.



Recap on other
options for unions



Alternative options for unions

Pay S75 debt and exit scheme

Transfer benefits to another scheme

Top-up transfer values – if enough demand

Pay deficit contributions in advance at a discount

Get in touch to request further information



Transfer benefits to another scheme

What is it?

All members and “share of fund” transferred to another DB scheme

- Share of fund reduced to pay for split service members, orphan members and covenant premium

Gives greater control to the Union/University

- For example, University of Manchester Students' Union

Union no longer has any liability to SUSS

- But liability does exist to the new pension scheme

Small reduction in deficit for remaining Unions

Detailed note available on [IGG website](#):



Students' Union Superannuation Scheme ("SUSS"): note for employers on bulk transfers out of the scheme

WHAT IS THIS NOTE ABOUT?

This note is for students' unions which participate in SUSS, the pension scheme which was formerly used for students' union employees to build up pension scheme benefits.

It is possible for a participating students' union to transfer its assets and the liability to provide pensions to its employees and former employees who are members to another occupational pension scheme. This is achieved by way of what is called a 'bulk transfer'.

This note explains in headline terms what a bulk transfer involves, what is required at the outset, and some of the advantages and disadvantages. It is designed to help students' unions to develop their thinking about whether a bulk transfer is a feasible option for them.

1 BACKGROUND – WHAT IS SUSS?

1.1 SUSS is a multi-employer, non-associated pension scheme. **Multi-employer** means that multiple students' unions participate in the scheme. **Non-associated** means that the students unions are not connected to each other.

1.2 SUSS closed to the build up of pension benefits in 2011. Whilst SUSS is no longer open to the build up of benefits, students' unions continue to participate in the scheme.

1.3 Participating students' unions have ongoing funding obligations (i.e. they must keep making contributions) because SUSS is a **defined benefit** pension scheme. That is, SUSS pays out a guaranteed level of pension benefits to students' union employees and former employees who were members of the scheme.

1.4 Every three years SUSS's assets and liabilities are assessed by an actuary to see whether the scheme has enough money to pay the benefits to members (a 'valuation').

1.5 The funding obligations continue to apply to the participating unions, because SUSS, like many defined benefit pension schemes, is not fully funded. In other words, there isn't currently enough money in the scheme to pay members' benefits in full.

1.6 Without the students' unions' continued payment of contributions to SUSS, the full benefits which members are entitled to cannot be met.

2 BACKGROUND – WHAT IS THE ATTRACTION FOR A UNIVERSITY AND ASSOCIATED STUDENTS' UNION OF A BULK TRANSFER?

2.1 Some universities have their own defined benefit pension scheme. The scheme might be open to the build up of benefits, or closed (like SUSS).



Actuarial Valuation

Chris Ramsey, Scheme Actuary
Annual Members Meeting 2024

Update on
funding

3



Recap on 30 June 2022 valuation

	Scheme Funding	Solvency
Liabilities	£242.3m	£261.4m
Assets	£106.7m	£106.7m
Surplus/(deficit)	(£136.6m)	(£154.7m)
Funding level	44%	41%

Maintained existing
contribution levels
(Total c£9m pa, increasing at 5% pa)

Recovery Plan
extended to 1 May
2037

Offered discounted
3-, 6- and 9-year
payment options

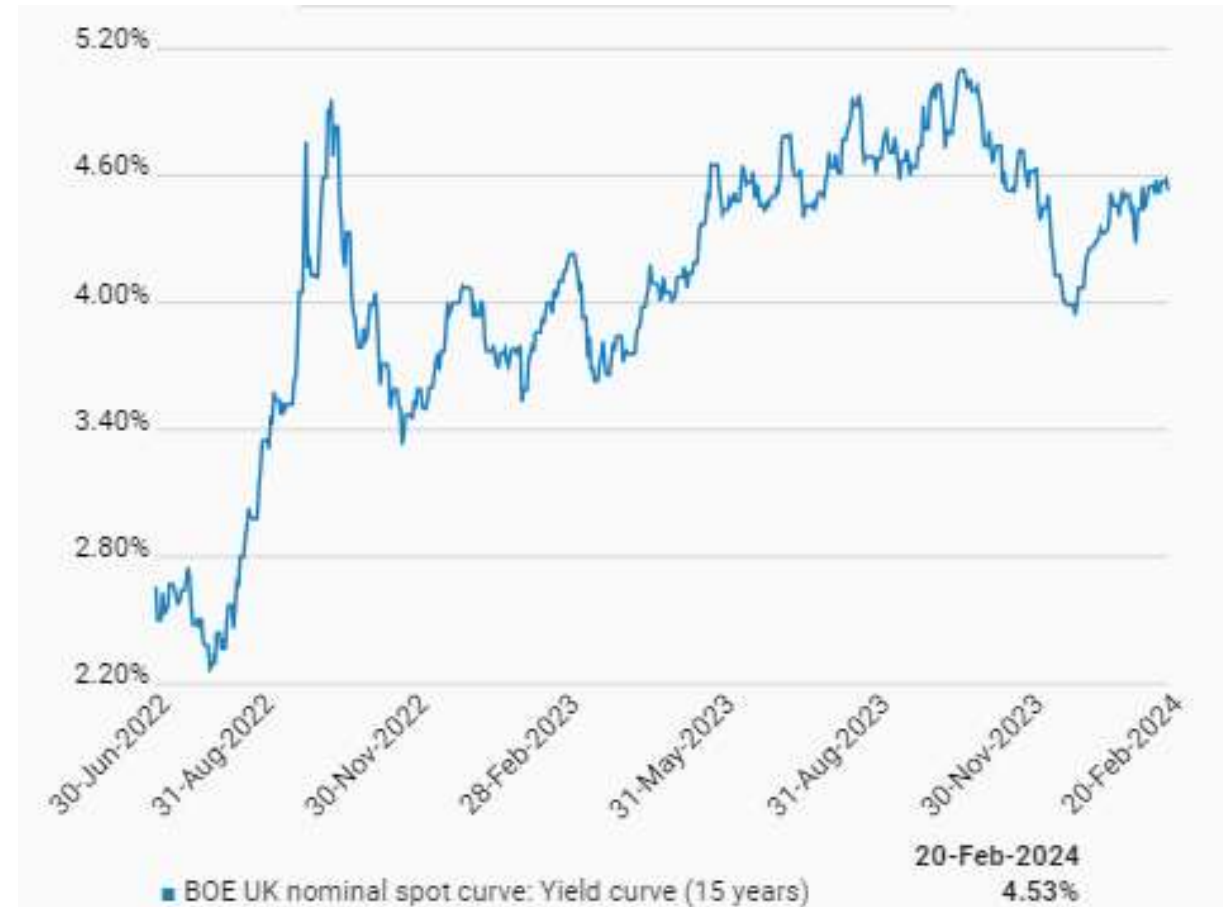


Latest position

Surplus/(deficit)



Long term gilt yields



30 June 2025 valuation

15-month statutory deadline to complete valuation



Review
valuation
assumptions



Update
calculations
for new
membership
data



Agreement
required
between
Trustees and
Employers



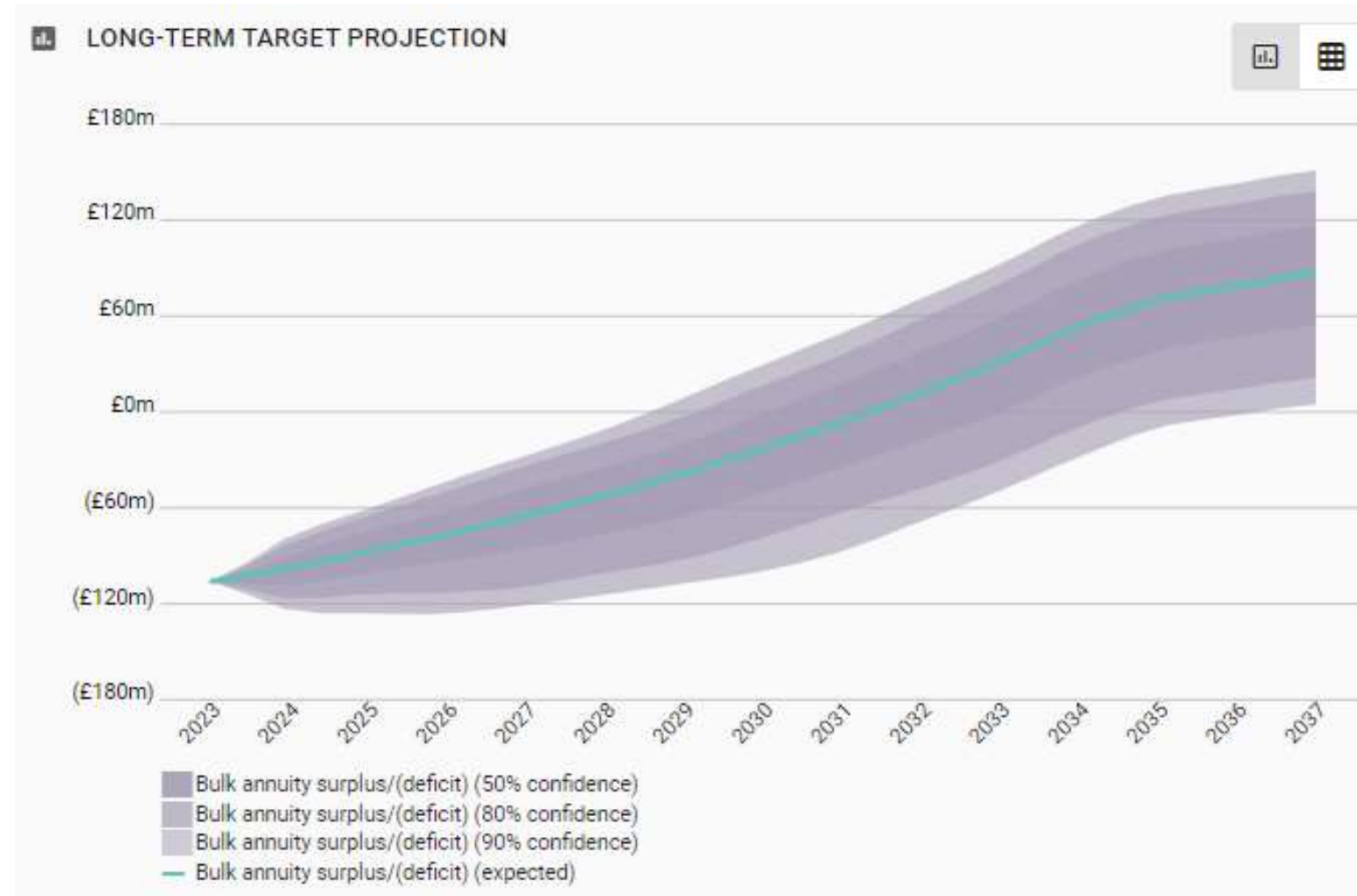
New
Recovery
Plan in force
(and can be
reflected in union
accounts)

First valuation under The Pension Regulator's new "Funding Code"



Managing uncertainty

Illustration of investment risk in journey plan



Other
considerations

4



PPF levy

Payable at the end
of 2024

Expect to be lower
again this year for
most unions

As always, keep an
eye on your D&B
score!



Accounting for pension costs

Included as a note to annual accounts

- Liability based on the present value of all the contributions due from your employer under the latest Schedule of Contributions (updated **every three years**)
- Discount these to the accounting date at a rate agreed by your auditors (update **every year**)
- May be asked to disclose some valuation assumptions – taken from the latest **Scheme Funding Report**

30 June 2022 Technical Provisions	
Discount rate	Gilts curve + 1.5% pa, linearly changing over a term of 13 years to gilts curve + 0.25% pa
Price inflation (RPI)	Merrill Lynch swap-implied inflation curve
Price inflation (CPI)	
• Pre 2030	RPI inflation less 0.7% pa
• Post 2030	RPI inflation less 0.1% pa

Questions

5



Questions (1)

Cardiff University SU	Impact of extension of repayment terms. Information on any further institutions buying out of SUSS.	✓
University of Brighton Students Union	Latest valuation - dates, amounts for disclosure + any changes to repayments.	✓
York St John Students' Union	Update on recovery plan and expected end date	✓
Staffordshire University Students Union	Any potential increase in orphaned risks identified through the assessment of individual Union's employer covenants.	✓
Worcester Students' Union	What happens at the next review if the pension fund falls below the projected recovery plan? Surely the Pension Regulator will not allow the payback period to keep being extended and contributions increased if there is no actual sign of delivering the recovery plan, so what is Plan B?	✓
York St John	Outcome of re-evaluation. Plan going forward - is there going to be another payment extension?	✓
London School of Economics	What are the plans for re-evaluation, what are the current risks in the scheme	✓
Hertfordshire Students' Union	What is the current position of the liability, given that revaluations have had significant positive impacts on the LGPS and USS schemes?	✓
Hertfordshire	Is there a reason why valuations are held once every 3 years?	✓
Robert Gordon University Students Association	Can there be a specific individual SUSS Pension Deficit Valuation from the Actuary/Trustees advised to individual Student Unions CEO/Finance Officer as opposed to a Total as this will help facilitate Note 10 calculations? Perhaps there is? Any help would be appreciated here?	✓



Questions (2)

Actuarial	Transparency surrounding each Union's with “skin in the game”, list of unions/employers, number of members and S75 liability. Who has the largest liabilities?	To follow
Principal Employer update /Actuarial	Discount rates - signpost where this can be found for accounting purposes and importance of updating contacts, so this reaches them.	✓
Actuarial	Breakdown of the ways Unions can leave - Difference between bulk transfer and Section 75 exit and how liabilities are affected. Explain in lay terms and very clearly (101 guide to...). Does this mean exiting employers are getting off lightly – previously been told it’s a collective endeavour? When might S75 be suitable for a union? [If you could, you would...] When might a bulk transfer be suitable?	✓
Actuarial	What has changed to make Unions exit the Scheme and the economic situation surrounding this.	✓
Legal /Actuarial	Last employer standing and orphan liabilities – what happens to these?	✓



Principal Employer Update

Peter Robertson, NUS
Annual Members Meeting 2024

Principal Employer Update

Background

1.1. NUS UK's major asset is our **preference shares in Howden UK&I**. These are currently worth £13.2m and bring in £792k annually. They are guaranteed at the current return rate until 2029.

1.2. NUS UK's major liability is the **SUSS Pension Scheme deficit**. It is currently valued at £9.9m and costs us £787k annually. We are due to pay off the debt in 2037.

1.3. Major assets/liabilities:

	Asset: Howden UK&I preference shares	Liability: SUSS Pension Scheme deficit	Net impact on NUS UK
Total value	£13.2m	(£9.9m)	£3.3m
Costs/income 23-24	£792k	(£787k)	£5k
End of contract	2029	2037	

Principal Employer Update (2)

Considerations

2.1. The SUSS annual costs increase by 5% each year and from 2024/25 the annual income from our Howdens shares will not cover it.

Financial Year	SUSS deficit payments	Endsleigh receipt	Financial Gap
2024/25	£826,412	£792,000	(£34,412)
2025/26	£867,733	£792,000	(£75,733)
2026/27	£911,120	£792,000	(£119,120)
2027/28	£956,676	£792,000	(£164,676)
2028/29	£1,004,510	£792,000	(£212,510)
2029/30	£1,054,735	£ -	(£1,054,735)

Investment Strategy Update

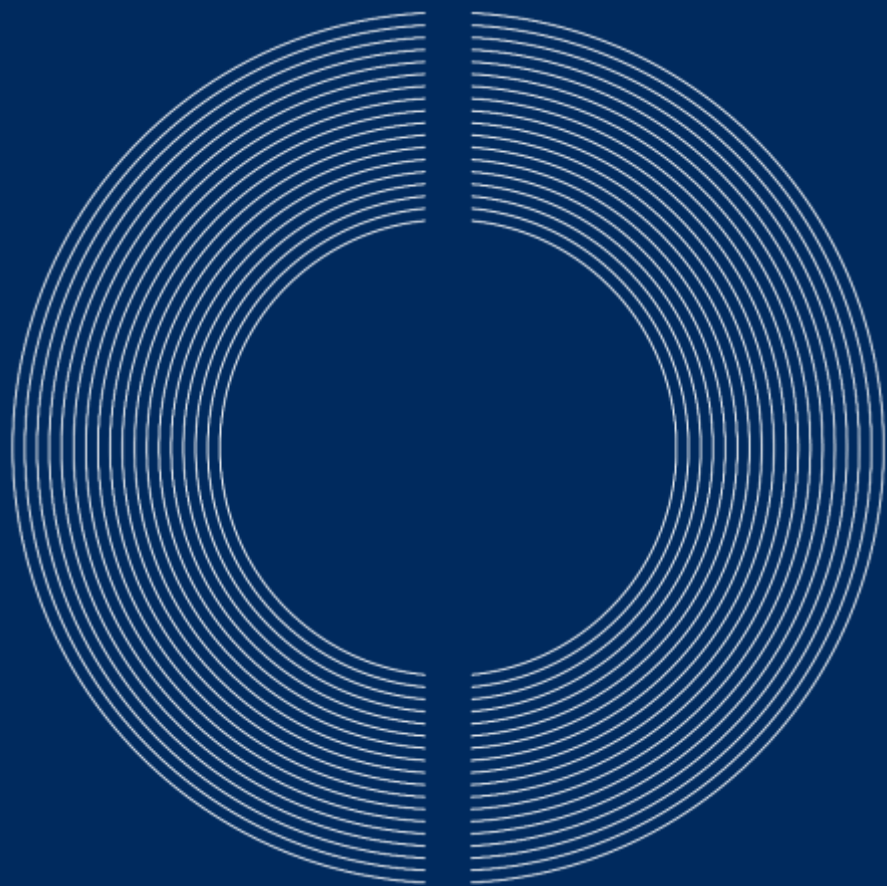
Pete Shilton-Godwin (MNT) & James Faupel, Investment
Adviser
Annual Members Meeting 2024



SUSS Annual Members Meeting 2024

Investment Update

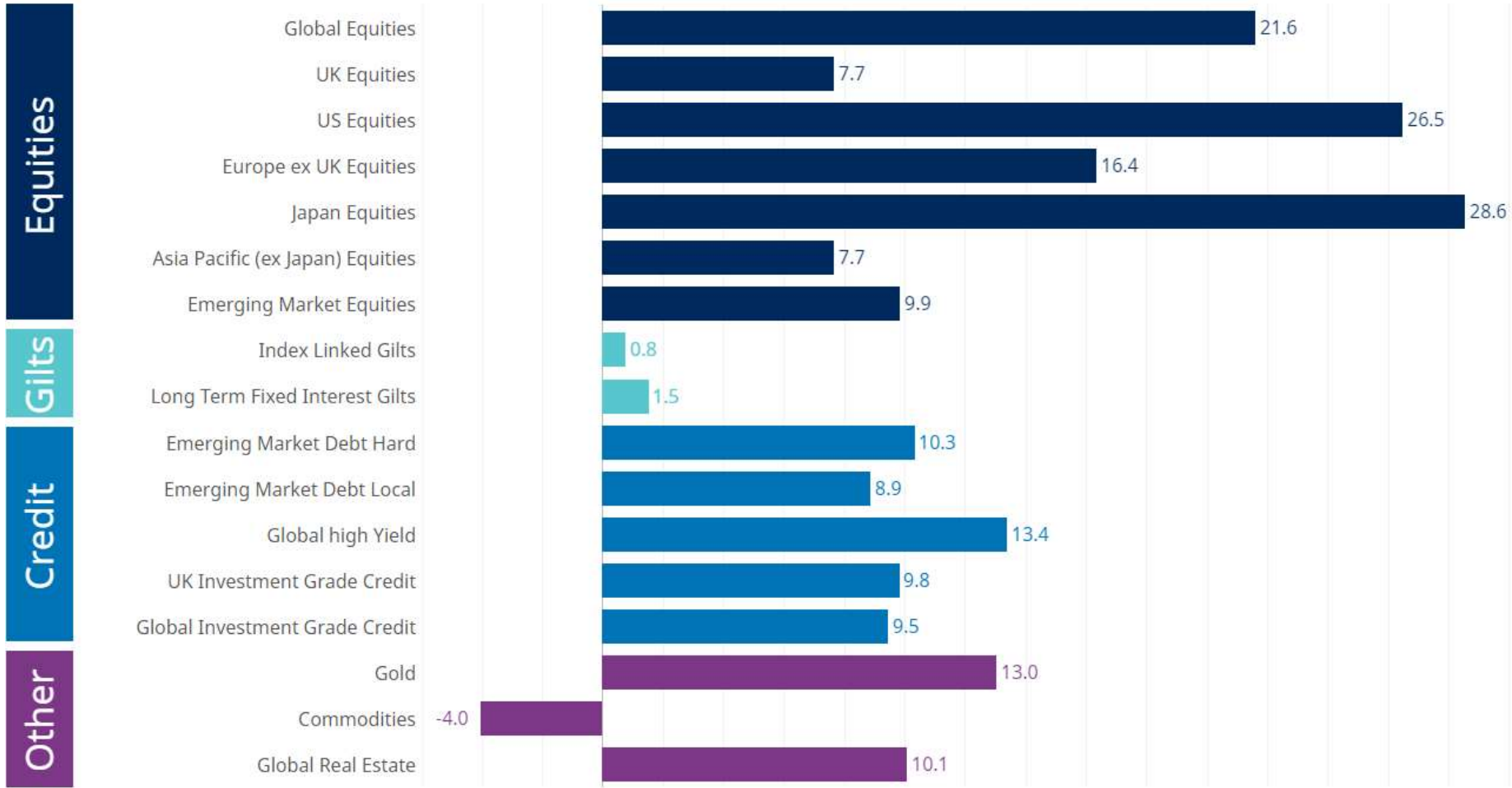
Peter Shilton-Godwin & James Faupel



Investment Performance and Market Outlook

Market performance over 2023

A strong end to the year masked another quite turbulent year



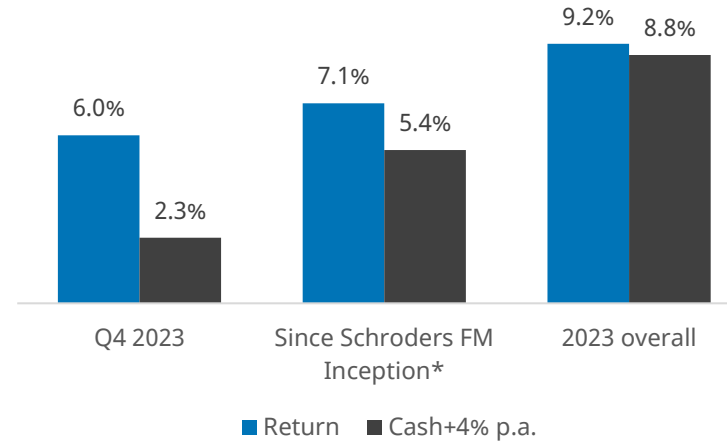
Source: Refinitiv, 31 December 2023

Investment strategy and performance

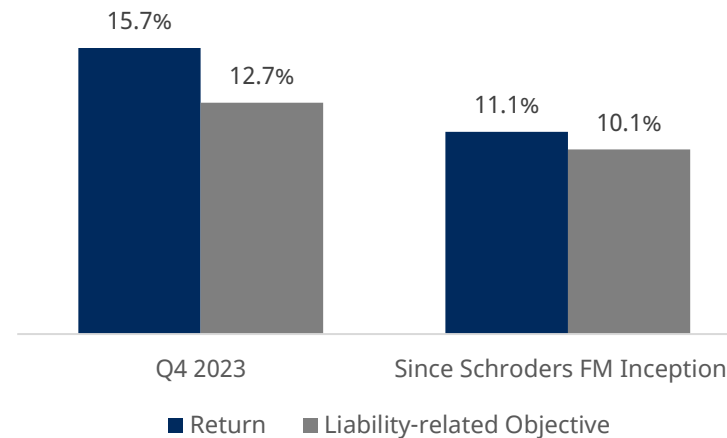


	Current
Target return p.a.	Gilts + 2.4%
Liability Hedging Level	100% (% of Assets) c.53% (% of TP Liabilities)

Growth Assets:



Total Fund:



- Growth Assets have outperformed the Cash+4% p.a. objective over the year.
- Equity markets were a key driver of performance over the period.
- Retaining a reasonable allocation to equity was key and was well rewarded in Q4.
- The Scheme has also outperformed at a Total Fund level over the period (contributing to positive funding progress).
- Growth outperformance was the main driver of this as the Scheme fully hedges the impact of interest rate and inflation risk on the TP funding level.

Source: Schrodgers Solutions, as at 31 December 2023. Liability information provided by Barnett Waddingham as at 31 December 2023, based on the 30 June 2022 Technical Provisions basis.
*Refers to the Scheme's formal 31 May 2023 start date of the new Fiduciary Management arrangement managed by Schrodgers.

Schroders market outlook

January 2024

View of market conditions



Inflation fell significantly throughout 2023, providing flexibility for central banks to signpost easing monetary policy in 2024. The question now is when rate cuts happen and whether they reflect gradual policy normalisation or growth concerns.



We are closely watching evidence of economic buffers reducing, notably a decrease in savings and a gradual softening of the labour market. However, unemployment remains near record lows, and real wages rising help support consumer confidence.



Economic fundamentals and corporate earnings do not suggest we are in a recession, supporting a more neutral asset allocation for now. However, given economic buffers are waning, we continue to maintain moderately sized risk hedges.



Positive economic outcomes are still possible, and we may look to add to risk assets if we see more attractive valuations, continued low unemployment and coordinated monetary and fiscal policy support ahead of a significant election year.

Current asset class views

Equities



Neutral physical equity given reasonable fundamentals with a preference for structured equity.

Credit



Neutral overall credit with preference for European vs U.S. given better valuations and fundamentals.

Alternatives



Diversifying assets are valuable but the cash hurdle is higher than prior years.

Property

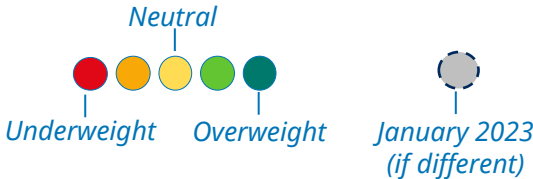


Preference for global property but other asset classes are more attractive.

Defensives



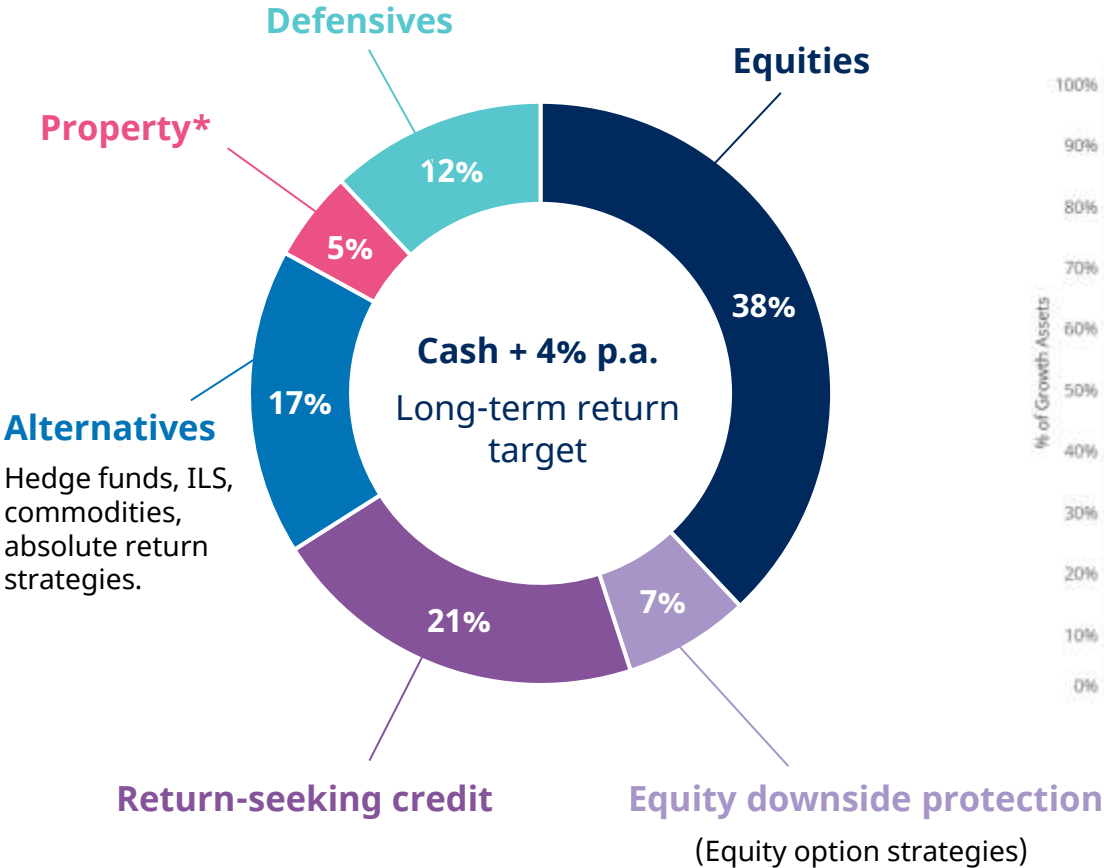
Moderately higher allocation to duration as a recession hedge.



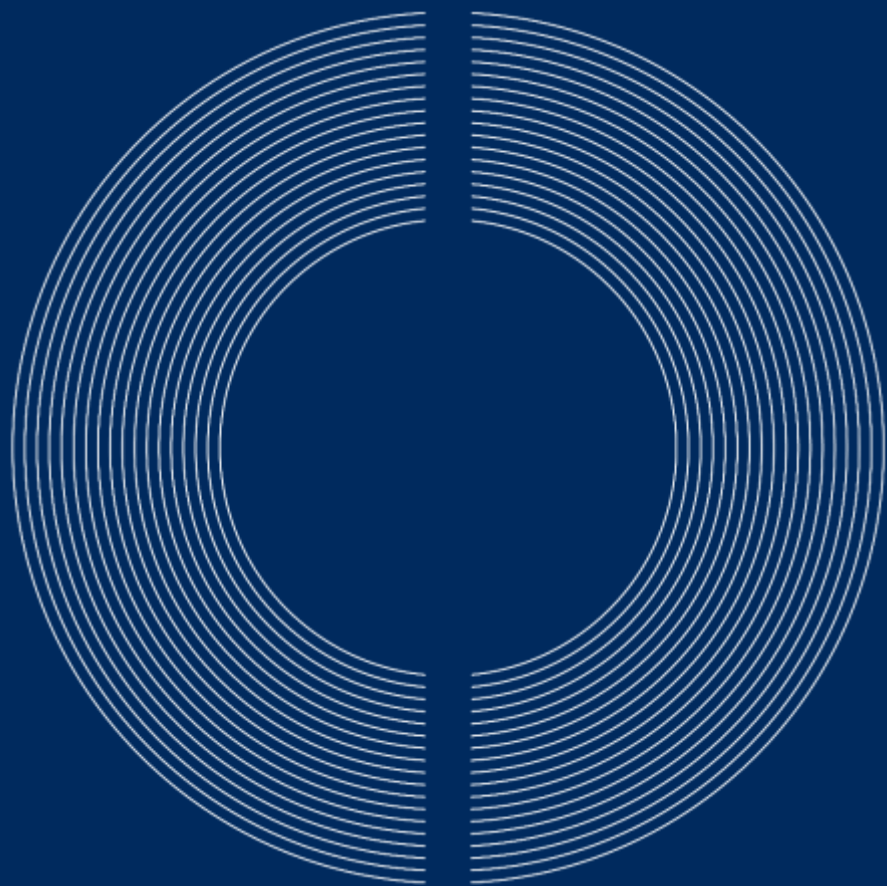
Source: Schroders, January 2024

Growth Portfolio

SUSS' core return-seeking allocation



Source: Schroders Solutions. Model portfolio as of January 2024. As this is a model portfolio there will be minor differences versus actual client portfolios. Figures may not sum due to rounding.
*For SUSS, the property investment is in progress but not yet fully invested.



Sustainability & ESG

Fully integrated across the SUSS portfolio

How Schroders apply ESG across your portfolio

Integration of ESG to improve risk-adjusted returns



Sustainability is embedded across the solution to improve expected risk and return over the long-term



We apply minimum exclusion criteria where we manage assets directly



Proprietary tools that translate impacts on people and planet into financial costs



Engagement is our primary tool for influencing positive change



Manager ESG ratings



Committed to climate transition and Net Zero by 2050

Engagement Priorities

Focusing on themes which are material to the long-term value of our investments



Schroders align ESG engagements with third-party managers to at least one of these themes, focusing on laggards and/or material allocations

Source: Schroders Engagement Blueprint 2023. [Read our Engagement Blueprint.](#)

Some recent engagement

Schroders coordinate this on the Trustees' behalf



Engagement on the company's strategy for reducing the carbon footprint of the dairy cows in their supply chain.



Engagement to push the company to comply with World Health Organisation's ("WHO") Guidelines on antimicrobial use throughout supply chains.

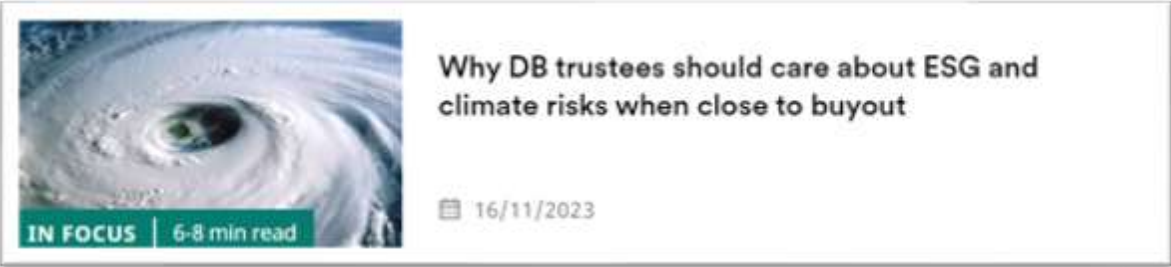


Engagement on their cotton sourcing policy and any progress they had made on the traceability of the cotton used.

Further Information

Supporting sustainability knowledge should you want to find out more

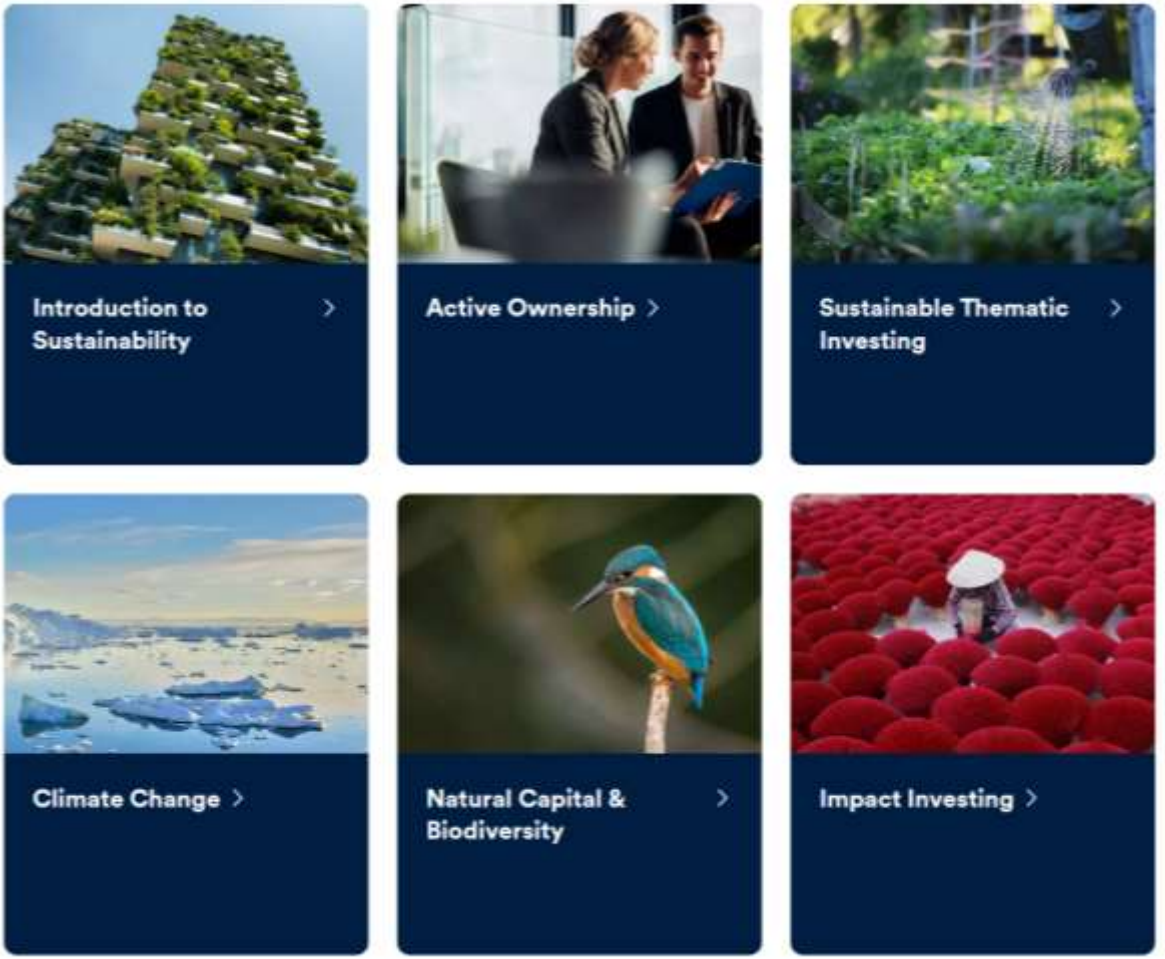
- Free online sustainability training: [SustainEducation \(schroders.com\)](https://www.schroders.com/sustainability)
- Beginner to intermediate knowledge of sustainable investing
- Introduction + five modules
 - 2-3 videos per module
 - 5-10 minutes per video
- Regular sustainability insights, hot topics and research are released on our website: [Sustainability \(schroders.com\)](https://www.schroders.com/sustainability)



Why DB trustees should care about ESG and climate risks when close to buyout

16/11/2023

IN FOCUS | 6-8 min read



- Introduction to Sustainability
- Active Ownership
- Sustainable Thematic Investing
- Climate Change
- Natural Capital & Biodiversity
- Impact Investing

Source: Schroders.

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Covenant Monitoring

Ben Ward (ENT)

Annual Members Meeting 2024

Pension Schemes Act
2021

Union Engagement &
Monitoring

Understanding
Employers

Engagement with HE
Sector bodies

Covenant Monitoring
results

Union Engagement & Monitoring

- ❑ The Trustees will continue to engage using an agile covenant monitoring as part of our requirements under the Pensions Schemes Act – questionnaire due to be issued as per 2021 to Unions - your input is vital.

- ❑ Continue to have presentations and meetings with Senior leaders & Trustees

- ❑ Key engagement with:
 - ❑ AHUA – Association of the Heads of University Administrators (umbrella organisation for Registrars/COOs)
 - ❑ BUFDG – British University Finance Directors Group

Questions & Answers

Annual Members Meeting 2024

Appendices

Annual Members Meeting 2024

SUSS – Secretariat Team

What we do

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

Incorporations

- 12 Unions not yet incorporated
- 2 Unions Incorporated in 2023
- Incorporation Window for 2024
 - 1st 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@weareigg.com
- Employer Website [Students' Union Superannuation Scheme - Independent Governance Group \(weareigg.com\)](https://www.studentsunion.org.uk)



Independent
Governance
Group

Please get in touch:

1. If you or your colleagues are interested in being a Trustee
2. If you would like us to meet your individual Union during the year
3. If you intend to incorporate
4. If you have queries around contributions, levies or are facing financial difficulties
5. If your key personnel from a SUSS perspective change

Queries

For all member queries please get in touch with the Scheme Administrators (Barnett Waddingham).

- The fastest way to get in touch is online: Through your account: **logon.bwebstream.com**
- By email: **Studentsunion@barnett-waddingham.co.uk** By telephone: **0333 11 11 222 (lines are open Monday to Friday, 9am to 5pm)**

Contact for Secretariat Team for any Employer queries:

- **suss@weareigg.com**

Employer Website link

- [Students' Union Superannuation Scheme - Independent Governance Group \(weareigg.com\)](https://www.weareigg.com)

For any further Employer queries contact:

- **peter.robertson@nus.org.uk**