FINANCE AND INVESTMENT COMMITTEE
22 September 2021

DRAFT UNCONFIRMED MINUTES

Present:
Luke Savage (Chair) | Professor Colin Bailey | Ben O'Neill
Adi Sawalha

In attendance:
Karen Kröger | Dr Nadine Lewycky | Ian McManus
Jonathan Morgan

Apologies:
Ade Adefulu | Isabelle Jenkins

Welcome and Apologies

2021.001 The Chair welcomed everyone to the meeting and noted the apologies.

Minutes of the meeting held on 21 June 2021 [FIC21/01]

2021.002 The Committee **confirmed** the minutes of the meeting held on 21 June 2021.

Matters arising [FIC21/02]

2020.003 The Committee **noted** the matters arising from the meeting held on 21 June 2021.

[a] The Committee said that 'sufficient' should replace 'bulk' in the revised version of the Ethical investment Policy, as the current wording could be interpreted to mean that the majority of investments needed to be easily realisable. Once the tender process was completed the policy would be finalised and the wording updated.

Management accounts, including first draft outturn 2020–21 [FIC21/03]

2021.004 *Minute 2021.004 is confidential*.

Update on investment managers appointment [FIC21/04]

2021.005 *Minute 2021.005 is confidential*.

QMUL Pension liabilities report [FIC21/05]

2021.006 The Committee **noted** the update in relation to the university's pension schemes. The following points were noted in the discussion:

[a] Employer pension costs had remained the same as in 2019–20 and there had been no increase in the contribution rates for either of our major schemes. Overall costs on the balance sheet had increased in anticipation of growth in staff headcount over the next five years. The 2020 valuations for SAUL and USS would be reflected in next year's accounts.

Universities Superannuation Scheme (USS)

[b] The Joint Negotiating Committee (JNC) had met over the summer and agreed a package of changes similar to those put forward by Universities UK (UUK) in relation to the 2020 valuation. It was noted, however, that the JNC's approval had been achieved with the casting vote of the chair, having had members from UUK vote in favour and members from UCU vote against. The recovery plan was under formal consultation with UUK and was due to proceed to consultation with staff in November. If agreed, contributions would rise in February 2022 by 0.3% for staff and 0.2% for employers, which would override the planned increases from the 2018 valuation. The proposals included a debt monitoring framework, *pari passu* arrangements and a roll over in the moratorium on employer exits. In the event that an agreement was not reached on a new benefits package, the Trustee would implement backstop measures, resulting in significant increases in employer and employee contributions.

[c] University and College Union (UCU) had announced the intention to ballot members in relation to industrial action. The Queen Mary branch of UCU would be voting on whether to strike over a number of issues, including pay and pensions.

Superannuation Arrangements of the University of London (SAUL)

[d] The 2020 valuation of the SAUL scheme had resulted in a deficit in the fund which was eliminated once the post valuation experience was taken into account. The future service costs would be addressed through changes in contributions, benefits and investment strategy over the next three years. The financial exposure for the university in relation to the USS pension scheme was greater due to the higher numbers of staff in the scheme and in more highly paid roles.

Annual summary of bad debt write offs 2020–21 [FIC21/06]

2021.007 The Committee **noted** the annual summary of bad debt write-offs for 2020–21. The following points were noted in the discussion:

[a] The amount of debt written off was similar to the previous year and there was nothing of concern in terms of credit control. The largest proportion of debts written off related to unpaid non-regulated tuition fees. A small amount was related to research, accommodation and commercial debts. Students who left the university before the end of their course were responsible for a portion of their fees as determined by the tuition fee policy. If this was not recoverable through usual debt recovery methods, then it would be written off. Some fees were written off for welfare reasons.

[b] The Committee asked for the presentation of data in the table to be updated to aid with understanding. This would be taken forward in next year's report.

Actions: [b] Chief Financial Officer

Draft agenda for the next meeting [FIC21/08]

2021.008 The Committee **noted** the draft agenda for the next Committee meeting on 03 November 2021.

[a] Professor Wen Wang, Vice-Principal (Science and Engineering) would be invited to attend for the item on transnational education.

Actions: [a] Committee Secretary

AOB

Loan transition from LIBOR to SONIA

2021.009 The Committee **discussed** an update on the progress of the loan transition from LIBOR to SONIA. The following points were noted in the discussion:

[a] Following the Committee's discussion in June, we had taken professional advice from Ernst & Young on the transition options of the Lloyds loan from LIBOR to SONIA. The recommended approach was to accept the Lloyds Transition Proposal to SONIA on 1 January 2022.

[b] The University has a £60m multi-tranche facility with Lloyds Bank. This facility is split into two term loans: a fixed £47.7m 5.01% loan and a floating £12.3m L+0.18% loan, both maturing in 2042. Whilst Lloyds has given an option to fix the rate for the floating tranche, this would not be cost effective. The fixed rate for the loan is provided by an embedded interest swap, and the market standard approach / default route for any interest rate swap (even for embedded ones as the banks would have a hedge in the background) is to transition by 1st January 2022 and use the ISDA recommended five-year historical median CAS (the "lookback approach").

[c] As a result, we would recommend the university transition on the same terms as the fixed-rate tranche to ensure alignment, as they are part of the same facility. In addition, we note that Lloyds' proposed route is to incorporate the lookback approach for transition on 1 January 2022, which is appropriate and will fix the CAS until maturity.

[d] The Committee discussed the proposal and, having considered the documentation in this regard, **approved** the transition proposal outlined in the documentation, replacing LIBOR with SONIA.

[e] The Committee further authorised the Chief Financial Officer to sign the necessary documentation including the Transition Agreement on behalf of the university.

Update on major capital projects

2021.010 *Minute 2021.010 is confidential*.

Meetings in 2021–22

- Wednesday 03 November 2021 at 1530 hours, Robert Tong Room, Mile End.
- Thursday 10 March 2022 at 1530 hours, Robert Tong Room, Mile End.
- Wednesday 15 June 2022 at 1530 hours, Martin Harris Room, Mile End.