

Annual Governance Statement

UNIVERSITY OF SUSSEX PENSION AND ASSURANCE SCHEME (USPAS) ('THE SCHEME')

ANNUAL GOVERNANCE STATEMENT FOR YEAR ENDING 31 MARCH 2025

As Chair of the Directors of the University of Sussex Pension & Assurance Scheme Trustee Limited, I present this statement of governance in relation to the Scheme's money purchase benefits over the period from 1 April 2024 to 31 March 2025. This statement covers the money purchase benefits under the Scheme which are in respect of former Protected Rights pots and separately 'money purchase' underpins in respect of the Defined Benefit (DB) benefits. All of the Additional Voluntary Contribution funds (AVCs) have now been drawn as benefits and no further AVC assets remain within the Scheme.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, they can get help finding a regulated financial adviser through the Government's Money Helper website at:

www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser.

If you are aged over 50 you can also obtain free and impartial pensions information from a government service called Pension Wise, which can be accessed via the MoneyHelper website <https://www.moneyhelper.org.uk/en/pensions-and-retirement> or by telephoning 0800 138 3944.

Annual governance statement

The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations') require trustees of money purchase pension schemes to prepare an annual statement that discloses how they have governed certain aspects of the scheme. A money purchase scheme is one where, broadly, each member has their own savings pot into which both employer and member contributions are paid. The retirement benefits eventually paid to members are not known in advance but depend instead on factors such as the amounts of contributions that are paid, the investment returns that they earn and the charges that are deducted from savings. Members' outcomes at retirement are therefore partly affected by how well the Trustee carries out their investment governance functions as well as their ability to negotiate charges and services that provide good value for members. The purpose of the annual statement is for the Trustee to explain how they have exercised their responsibilities in these crucial areas.

Impact on the University of Sussex Pension and Assurance Scheme ('the Scheme')

The Scheme holds a small amount of money purchase assets, which originated from benefits related to previous protected rights. The members who hold these benefits have no other benefits within the Scheme.

Separately, the DB members' pensions at retirement are calculated on a defined benefit formula based on pay and length of service (1/60th of Final Pensionable Salary for each year of Pensionable Service), irrespective of investment returns or fund charges. However, these defined benefits have a money purchase underpin attached to them. This means that the member contribution (currently 9% of Pensionable Salary) and any contributions paid prior to 6 April 2012 in respect of contracting out on a money purchase basis are notionally invested for each member in each pay period. When a member retires or transfers out, pension rights calculated on the defined benefit formula described above are compared against the benefits that could be provided from the accumulated notional value of the money purchase underpin. If the latter benefits are greater, the member's benefits will be topped up accordingly.

The money purchase underpin did not apply to any member during the reporting period, and ongoing analysis indicates that money purchase underpins are very unlikely to exert any influence on members' outcomes in retirement.

The details which are covered in this statement to meet the Regulatory requirements are:

1. Details of the investment under the Scheme in which members have assets invested;
2. Charges and transaction costs borne by members within the Scheme, including an illustration of the cumulative effect of these charges;
3. Value for members;
4. The processing of core financial transactions;
5. Net Return on Investments; and
6. The Trustee's compliance with the statutory knowledge and understanding (TKU) requirements.

Default investment arrangement

The Trustee does not operate default investment arrangements within the meaning of the Pensions Act 2008 in relation to the money purchase benefits and underpins. In addition, the Scheme is not an auto-enrolment scheme. For this reason, the Trustee's understanding is that the disclosures required in the Regulations with regard to default investment arrangements do not apply to this statement.

For the same reason, the Trustee's Statement of Investment Principles (SIP), dated 22 November 2023 does not contain wording relating to default investment arrangements. A copy of this Chair's Statement and the latest SIP are available online within the HR section of the University's website.

www.sussex.ac.uk/humanresources/payrollandpensions/pensions/uspas/uspas.

The value of the money purchase benefits and underpin is determined by applying the rate of investment return on the Scheme's assets over the period leading up to the point a member retires or transfers their benefits out of the Scheme.

The table below shows the Scheme's underlying investments; the target allocation and investment charges applied in respect of the Scheme's assets over the year to 31 March 2025. There is no option for members to invest in funds that they select. All funds are managed by Legal & General Investment Management ("LGIM").

LGIM Fund	Benchmark Fund Allocation (start of year)	Benchmark Fund Allocation (end of year)	Total expense ratio (p.a.)	Transaction costs (%)
Index-Linked Gilt 2030	3.5%	3.8%	0.10%	0.00%*
Index-Linked Gilt 2032	5.9%	6.2%	0.09%	0.05%
Index-Linked Gilt 2035	7.9%	8.1%	0.09%	0.04%
Index-Linked Gilt 2037	9.1%	9.2%	0.08%	-0.05%
Index-Linked Gilt 2040	6.0%	5.9%	0.09%	0.02%
Index-Linked Gilt 2042	10.1%	9.8%	0.08%	0.00%
Index-Linked Gilt 2047	5.9%	5.5%	0.09%	-0.16%
Index-Linked Gilt 2050	4.7%	4.3%	0.10%	-0.06%
Index-Linked Gilt 2055	3.2%	2.8%	0.10%	-0.02%
Index-Linked Gilt 2058	1.5%	1.3%	0.10%	-0.07%
Index-Linked Gilt 2062	0.8%	0.7%	0.10%	0.02%
Index-Linked Gilt 2068	0.4%	0.4%	0.10%	-0.13%
ESG Paris aligned Worldwide Equity Index unhedged	2.9%	3.2%	0.21%	-0.05%
ESG Paris aligned Worldwide Equity Hedged	2.9%	3.3%	0.24%	-0.01%
Maturing Buy & Maintain Credit 2020-2024	2.9%	0.0%	0.13%	0.24%
Maturing Buy & Maintain Credit 2025-2029	18.3%	19.7%	0.13%	0.23%
Maturing Buy & Maintain Credit 2030-2034	13.0%	13.8%	0.13%	0.04%
Cash	1.1%	1.9%	0.12%	0.13%
Total#	100.0%	100.0%		

* Transaction costs were zero to two decimal places

The table below shows the aggregate level of charge incurred by members assuming that investments are held in line with the Scheme's target asset allocation. Due to the change in asset allocation over the year, we show charges based on the asset allocation at the start of the year and the end of the year.

Total charges based on asset allocation at the start of the year

Years to target retirement date	Total expense ratio (%p.a.)	Transaction Cost (%p.a.)
20 or more years to retirement	0.09	0.05
15 years to retirement	0.09	0.05
10 years to retirement	0.09	0.05
5 years to retirement	0.09	0.05
At retirement	0.09	0.05

Total charges based on asset allocation at the end of the year

Years to target retirement date	Total expense ratio (%p.a.)	Transaction Cost (%p.a.)
20 or more years to retirement	0.11	0.04
15 years to retirement	0.11	0.04
10 years to retirement	0.11	0.04
5 years to retirement	0.11	0.04
At retirement	0.11	0.04

Net returns to 31 March 2025

The value of a member's DC benefits receives returns in line with the monthly return on Scheme assets. The Scheme's investment adviser provides the rate of return to the Scheme administrator, who then applies this to the member records.

The table below shows the returns applied to funds, after the deduction of charges, over the last five years.

Annualised returns applied to DC fund values to 31 March 2025				
1 Year	2 Years (% p.a.)	3 Years (% p.a.)	4 years (% p.a.)	5 Years (% p.a.)
-8.53	-4.16	-6.90	-4.02	0.29

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy. The Trustee takes regular advice from the Scheme's investment adviser and reviews the investment performance reports, which are produced quarterly by the investment manager. The latest Statement of Investment Principles, dated 9 November 2023, was updated to reflect the change in the investment strategy to an asset allocation for the Scheme assets of 5% in ESG-focused equities, 60% in index-linked gilts, and 35% in maturing buy & maintain credit funds.

Reporting Charges and Transaction Costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges on money purchase benefits under the Scheme, although, as the underlying investments form part of the overall Scheme's assets, there are a number of assumptions which have had to be used to prepare this illustration. The illustrations have taken account of the statutory guidance and in accordance with the regulatory requirements, we have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot.

To illustrate the impact of charges and costs on a typical member's pension pot, we have provided an example in the table below on the projected investment based on the benchmarked fund allocation under the Scheme and its expected return. This illustration takes into account the average pot size of the money purchase benefits recognising that no further contributions are paid into these benefits; investment returns above inflation (before charges and costs); and adjustment for the effects of costs and charges over time.

We have shown example illustrations of what money invested in a pot based on the benchmarked fund allocation could be worth in 1, 2, 3, 6, 11, 16, 21 and 26 years (covering a period that would allow for the youngest member holding these benefits to reach age 65), taking inflation, investment costs and charges into account. These figures are shown in today's money, meaning they take into account expected inflation. For example, this indicates that £690 invested by a member in the fund today, in 26 years, is expected to be worth £1,659, after charges, in today's money. The figures shown in the table below are just illustrations and are not a guarantee of future values.

Projected Money Purchase Fund		
Year End (Age of example member)	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1 (Age 40)	£714	£714
2 (Age 41)	£740	£738
3 (Age 42)	£766	£763
6 (Age 45)	£851	£845
11 (Age 50)	£1,013	£1,000
16 (Age 55)	£1,205	£1,184
21 (Age 60)	£1,435	£1,401
26 (Age 65)	£1,708	£1,659

To ensure that these calculations are representative of the membership, the Trustee has made some assumptions in the producing these illustrations:

1. Values shown are estimated projections and are not guarantees or predictions.
2. The illustration allows for the youngest member with a money purchase benefit at age 39 and continues for a period of 26 years until age 65 (normal retirement age within the Scheme).
3. The starting pot size is assumed to be £690, with no future contributions being paid.
4. Inflation is assumed to be 2.5% each year.
5. The projected real growth rate before charges and costs is 3.6% per annum.
6. The charge applied has been assumed at 0.11% per annum, including transaction costs, which have been averaged over the five years to 31 March 2025. This is the full extent of the data available from the investment manager.

Charges and value for members

The Trustee is required to assess the extent to which member-borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

As mentioned, money purchase benefits are notionally invested in accordance with the Scheme's average asset allocation. Members are restricted to this investment strategy, which is essentially targeting the funding of the Scheme's DB liabilities and does not take into account member choice or their individual circumstances (such as retirement destination, retirement age and risk appetite).

That said, individual member money purchase benefits are very small, with an average fund value of around £700 and in respect of the Scheme's money purchase underpins benefits it is extremely rare for these to 'bite' in practice. In other words, benefits calculated on the 1/60th formula described above are expected to almost always be far greater than those provided by the money purchase underpin. The underpin did not apply to any member transferring out or retiring from the Scheme during the Scheme Year.

The charges deducted from the Scheme's investment funds relate entirely to investment management services and are detailed in the Statement of Investment Principles.

The Trustee has assessed that the size of the individual members' money purchase benefits which are generally of a low monetary value and therefore unlikely to see more favourable terms in comparison to benefits of similar size, and effectively benefit from the governance structure of the Scheme, therefore provide reasonable value for the members. Similarly the underpins are typically low when compared with the value of the attaching defined benefit rights and, as such, are unlikely to deliver any material value to members. For as long as this situation prevails, the Trustee's investment governance activities will likely have regard mainly to the Scheme's defined benefit obligations. The Trustee remains open-minded to how these benefits could be managed in the future to seek to enhance member value, for example, consolidation options.

Core financial transactions

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly) as set out below, noting that not all of these will be relevant for the money purchase benefits under the Scheme:

- Investment of contributions made to the Scheme by members and their employer(s);
- Transfers into and out of the Scheme of assets relating to members;
- Switches of members' investments between different funds within the Scheme; and
- Payments from the Scheme to or in respect of members (e.g. payment of death benefits and on retirement).

The Trustee recognises that delay and error can cause significant losses for members. They can also cause members to lose faith in schemes, which may in turn reduce their propensity to save and thereby impair future outcomes.

The Trustee has delegated the administration of the Scheme to Barnett Waddingham LLP. The administrator operates measures and controls aimed at ensuring that all financial transactions (such as benefit payments) are processed promptly and accurately – these were in place throughout the period covered by this Statement. The Trustee has agreed and monitors target timescales with the administrator for the calculation and payment of benefits such as retirement benefits and transfer values. The Trustee receives quarterly administration reports from the administrator, which detail the performance against the agreed service levels. This considers all Scheme members and doesn't highlight the quality-of-service delivery for DC-only members in isolation.

The Trustee has received assurance from the Scheme's administrator and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year.

A list of the key service levels is:

Nature of Event/Activity	Target Turnaround (working days)
Deaths	2
Deferred benefit statement	10
Retirement Quotation	10
Retirement Payment	5
Annuity Purchase	5
Transfer Out Calculation	10
Transfer Out Payment	3
Individual data changes	5
General queries	10
Cash Handling	5

These timescales are all comfortably within statutory timescales and have been agreed with the Trustee.

Crucially, all target timescales include allowance for tests to be carried out on whether money purchase underpins 'bite' i.e. whether their value is such that a member's benefits are uplifted.

The administrator records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task. They must disclose regularly to the Trustee their performance against these agreed timescales. These disclosures are included within the reports provided by the Scheme Administrator and are considered by the Trustee at each meeting. During the year, these have typically ranged between 89% and 98% of activities being achieved within the service level targets, and between 94% and 99% being completed within SLA plus three days.

Where there was a relatively low success rate against SLA, this was based on a relatively small number of cases. In Q2 2024 there were only 3 transfer out calculations and the completion rate was 33% (67% within SLA plus three days). In Q3 2024 there were 2 transfer out and transfer payment cases, each with 50% success rate against the SLA. Performance in Q4 2024 and Q1 2025 was higher across all tasks (80% and above in Q4 and 90% and above in Q1).

The processes adopted by Barnett Waddingham to help meet the SLAs include:

- All member transactions and benefit processing activities are recorded in a work management system which assigns the relevant timescale to the task
- Timeliness of transactions monitored and reported
- Regular monitoring of bank accounts
- Periodic internal audits undertaken to review consistency of practice, standards and control application.
- Payments checked and approved independently by one or more individuals (depending on value).

The current Administrator was appointed in January 2017 and as part of the appointment process the Trustee reviewed in detail the AAF01/06 report which sets out the details of how the administrator manages processes and risks. The latest publication of this report covering the period 1 April 2024 to 31 March 2025 will be reviewed by the Trustee. It was the Independent Reporting Accountants' opinion that, in all material aspects, the controls were suitably designed and those tested operated effectively.

The Auditor to the Scheme checks as part of the annual audit process that contributions to the Scheme are paid in accordance with the Scheme's rules. The auditor to the Scheme is RSM UK Audit LLP. The agreement with RSM UK with regard to audit services is reviewed annually.

The Schedule of Contributions sets out timescales for the University to remit monthly contributions to the Scheme. These timescales and compliance are reviewed regularly, with a detailed review in the annual audit. Whilst further contributions are not a consideration in respect of the former protected rights pots it is relevant in respect of the money purchase underpin. The Trustee believes that the vast majority of financial transactions for the Scheme have been undertaken promptly and accurately in line with the processes in place during the period of this Statement.

The Scheme's Risk Register outlines key Scheme risks including the risks to Scheme members and these are monitored regularly and reviewed annually.

The Trustee is satisfied that over the period covered by this statement:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- There have been no material administration errors in relation to processing core financial transactions; and
- All core financial transactions have been processed promptly and accurately in line with the processes in place during the Scheme year.

Trustee Knowledge and resources

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

During the period, the Trustee Directors undertook a number of activities that involved giving consideration to pensions and trust law, the Scheme's governing documents and the Statement of Investment Principles. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities, for example, by developing their knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustee, with the help of their advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment and actuarial advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. The Trustee has undertaken ongoing training, both collectively as a group and individually to keep abreast of pension legislation and regulations and relevant developments over the Scheme year as well as demonstrating conversance with the Scheme documentation. In particular:

- The Trustee receives monthly publications from their actuarial advisers covering current pension topics
- The Trustee's advisers highlight current issues that are relevant to the Scheme, such as developments relating to the Virgin Media v NTL Pension Trustees legal case and its potential implications for the Scheme. In addition, training is provided as needed.
- Training undertaken within the Scheme year related to:
 - Setting assumptions for the Scheme's actuarial valuation
 - A refresher on the approach to undertaking the Scheme's actuarial valuation
 - Pensions related changes announced in the Autumn Budget.

The Trustee has regularly reviewed the training needs of the Board to ensure that any new needs that arise are identified and that a plan is put in place to address them. This is considered at the Trustee meetings where relevant topics are considered to plan any training sessions for the forthcoming meetings. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

Further, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties. All the Trustee Directors are required to commit to completing training, either at the relevant meetings or by personal study. New Trustee Directors complete the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law) as part of their induction requirements.

All the Trustee Directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements.

Other training relates to topical items or specific issues under consideration and during the Scheme year. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date and is referenced in the Risk Register to reflect the importance of this area. Additionally, the Scheme has in place a structured induction process for new trustees with support for new Trustee Directors to complete the Regulator's Toolkit.

Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Scheme properly and effectively.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

Signed for and on behalf of The Chair of Directors of the University of Sussex Pension and Assurance Scheme Trustee Limited

Signature: 
Christopher Crook (Sep 16, 2025 13:26:03 GMT+1)

Name: Christopher Crook

Position: Chair of the Trustee

Date: 16/09/2025