



BARNETT  
WADDINGHAM

Part of **HOWDEN**

Enhancing your university's  
pension strategy

# Who are Barnett Waddingham?

We have over 20 years of experience helping universities and higher education institutions optimise the outcomes delivered by pension arrangements, whilst understanding and managing the costs and risks.

As well as undertaking strategic reviews of pension arrangements and exposure to the key sector schemes for a wide range of universities, we provide actuarial, investment and administration services to universities' own self-administered trusts (SATs). We have supported a wide range of institutions, from small universities to some of the largest and most well-known in England and Scotland. These span both pre-and post-1992 institutions and cover a variety of different pension schemes and reward and retention strategies.

We understand that - while most institutions in the sector face similar pensions challenges - the mix of schemes, financial pressures, and the optimum pension strategy is unique to each case. **Our overriding aim is to focus on the specific challenges facing each institution and make the most of the opportunities available whilst maximising value.** We've outlined our thoughts and experience with the main pension schemes in the sector below.

## University pension schemes we can support

### Local Government Pension Scheme (LGPS)

The key issue for employers in the LGPS now is how best to take advantage of improved funding levels. LGPS funds generally take a long-term investment approach, investing mainly in 'growth' assets, with limited attention paid to short-term volatility or options for de-risking. This means, as interest rates have risen, funding levels have improved – raising a number of questions for employers who may be unable or unwilling to take a long-term view, such as:

- How do you best protect the improved position in the LGPS (i.e. how can you de-risk)?
- Does it make sense to continue to pay deficit contributions, if the deficit is now much smaller (or non-existent)?
- How can you get credit for any surplus?
- How do you do this in a way that limits the impact on future service costs?

Within the LGPS, it's important to understand how you are being treated as an employer and whether that treatment is appropriate. There is also scope for different approaches between employers, which needs careful consideration.

As part of our work in this area, we have helped a number of universities put in place Defined Contribution (DC) alternatives to their LGPS arrangement. See *DC pension arrangements*, below. We also have extensive experience advising private sector employers in the LGPS, including over 100 universities, charities, and commercial contractors who have outsourced work from the local authority. In addition, our Public Sector team advise over 25% of the LGPS funds, ensuring we have access to the latest insights and developments impacting LGPS employers. Our expertise around LGPS has been recognised by institutions such as Falmouth University:



Barnett Waddingham attended a meeting with our full Board of Governors and made insightful contributions to a discussion on the future of pensions in the sector. They clearly explained the risks around pensions and effectively tailored their commentary to our institution. Members of our Board commented that the session had been extremely valuable in guiding them through the complexities of this significant issue for the HE sector.



**Dr Robin Kirby, Secretary to the Board of Governors, Falmouth University**





## Teachers' Pension Scheme (TPS)

We have significant experience with TPS both in the higher education and independent schools<sup>1</sup> sectors. We advised UCEA during the last two TPS actuarial valuation negotiations and presented to its TPS group on sector options following significant employer contribution increases.

The issues with TPS are simpler than for the LGPS. Contributions have increased – just as costs are falling in funded defined benefit (DB) schemes – but there are fewer options available to universities for managing those issues. Currently, an institution either offers full access to TPS for its teaching staff, on the standard terms available, or it withdraws from the scheme entirely.

Withdrawing from TPS can be done, but rather than direct withdrawal, this usually requires the establishment of a new corporate entity through which the staff in question are employed – similar to the approach often taken with the LGPS. However, there are alternatives that could be considered, drawing on experiences in the independent schools' sector such as cost sharing or parallel DC options.

1 We have worked with c.100 independent schools wanting to consider their options in relation to TPS. Understanding each school's specific challenges, we have helped many develop an appropriate response to the increase in costs they face.

## Universities Superannuation Scheme (USS)

The USS has a number of challenges around how to ensure benefits are sustainable and how costs are shared between institutions and its members. These issues caused major problems for those institutions with large USS exposure for many years, until recent rises in gilt yields improved funding levels, reduced contribution requirements and resulted in costs that are currently much more manageable. However, those issues have not disappeared and would ideally be dealt with sooner rather than later while conditions are benign. Our USS support to universities includes:

- reviewing and advising on their USS exposure;
- assistance responding to consultations; and
- helping to explain the issues in staff and board-level education sessions.

We comment on the challenges faced by the USS at industry conferences and in blog posts, such as [this one](#) which explores [potential solutions around benefit sustainability](#).

Our reputation for delivering expert advice is a key reason clients choose us – as one university client noted, our support during the USS valuation challenges was marked by strategic insight, clear communication, and trusted impartiality, helping both leadership and staff navigate complex decisions with confidence.



Barnett Waddingham have provided us with significant support and strategic insight as we, along with other USS employers and members, grapple with the challenges presented by recent USS valuations. They presented briefing and Q&A sessions for various university committees and open meetings for our staff to help us understand those challenges and consider potential solutions. We chose Barnett Waddingham because they bring significant expertise and knowledge in pensions matters and, crucially, are also recognised to be independent and impartial, owing to BW company not advising any of the parties directly involved in the negotiations.



**Patrick Hackett, Registrar, Secretary and Chief Operating Officer, The University of Manchester**

## DC pension arrangements

Following strategic reviews of their pension arrangements, many universities have opted to design and implement a DC arrangement. These might be in place of an existing scheme or to sit alongside them, offering staff a flexible, voluntary alternative. In both cases, the scheme may be directly delivered by the university, or via a subsidiary company (or companies). In such cases, our support to clients has covered areas such as:

- sharing general insights and trends across the sector, including an overview of the UK DC pensions market, recent and upcoming developments, and key drivers.
- DC design considerations including contribution structure (employer and employee), legal structure and selection of a suitable provider, and risk benefit considerations.  
(N.B. the recent announcement by the Universities and Colleges Employers Association (UCEA) of a sector-wide DC solution, administered by Aviva, FlexHE, is a welcome addition to the provider landscape, but individual universities should take advice on whether it meets their specific objectives).
- launching an alternative with clear, engaging communications that ensure staff understand the proposals and new options available.
- ongoing governance of the arrangement.

Unlike the key sector schemes which are centrally governed, uniform in structure and relatively hands-off for staff, DC arrangements offer greater choice, resulting in schemes that are unique to each university. We believe it's important to establish some form of ongoing governance framework to ensure good member outcomes, but we recognise that every university has different objectives and requirements for pension governance. With this in mind, we tailor our support to the client's needs. One example is our work with the University of West England (UWE Bristol):

“ We appointed Barnett Waddingham in early 2021, and over the course of the year, worked through a project to design and implement a flexible DC pension arrangement for our colleagues. With their considerable knowledge and expertise of the sector, I believe we have achieved a successful outcome both for our colleagues and the university generally. Since 2022, we have worked with Barnett Waddingham to govern the new DC arrangement to ensure we help staff achieve positive outcomes at retirement. I would not hesitate to recommend their services. ”

**William Liew, Chief Financial Officer, UWE Bristol**

## Communication and engagement support for DC schemes

Just as critical as good scheme design is ensuring that communications are clear, engaging, and support members to understand the proposals or new options being introduced by the university. With DC pension schemes, members are often faced with multiple choices, potentially for the first time, which can be intimidating. The right communications approach will not only ensure members avoid pitfalls but also empowers them to optimise their position in retirement.

To support with this, we have a specialist communication and creative agency called DrumRoll, which ensures messaging is delivered in the most effective and engaging way, all built around the philosophy of 'tell, teach, involve': more information on the support we can provide for pension schemes is available on our website.



# Beyond pensions

Universities are increasingly realising the value of positioning pensions within a broader, more flexible benefit package, and we see this as an exciting opportunity for the sector.

Going beyond the traditional benefits historically provided by universities and considering wider matters - such as flexible benefits and total reward statements - is a great way for universities to differentiate themselves from a recruitment and retention perspective.

## Case study

### Delivering an inclusive DC solution

We supported a university in designing and implementing a non-contributory DC pension arrangement for circa 250 professional staff who had opted out of the LGPS. While the university's core aim was to ensure all staff had pension access regardless of affordability, we went further to deliver a solution that gained strong stakeholder buy-in.

We exceeded expectations by:

- **Building trust with trade unions**, addressing initial concerns about the DC scheme being a cost-saving measure, and helping position it as a complementary, not competing, benefit.
- **Providing clear, balanced advice** that enabled the university to adapt its proposal based on union feedback, creating a more inclusive and credible offering.
- **Supporting successful implementation and engagement**, ensuring the arrangement was well-received and aligned with the university's goals.

Our continued involvement ensures strong governance and evolving support for both the university and its staff.

## Get in touch

To find out more about our university pensions advisory service, contact our BW expert.



**Katy Hayes**

Principal, Senior Client Relationship Manager

 [katy.hayes@barnett-waddingham.co.uk](mailto:katy.hayes@barnett-waddingham.co.uk)



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Find out about the other services we provide to the education sector [here](#).