

2025 DB Pensions Benchmarking Report for pre 1992 universities







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SPENCE



Key Findings

Welcome to the 2025 Spence Pre 1992 Universities DB pensions Benchmarking Report. Most pension provision in the university sector is through large multi-employer schemes like the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). However, most of the pre 1992 universities also have their own DB schemes for non academic staff, and it's these schemes we focus on here. We've analysed the 31 July 2024 accounts of 30 universities with DB schemes. In aggregate, this covers £6.9bn of DB assets. Our key findings are:

Finding	Finding	Impact
	Average funding level is 93% on an FRS102 basis (93% in 2024 report)	Funding levels broadly unchanged over the year
	Low Dependency deficits average 5% of unrestricted university reserves	84% of schemes remain in deficit on a "low dependency" basis introduced by the September 2024 pensions funding regime. New funding regime therefore significant for the sector.
	DB contributions average 1% of total income (1% in 2024 report)	Contribution levels broadly unchanged over the year
	Average deficit recovery plan runs to 2030 (2030 in 2024 report)	Recovery plans generally not extending
	70% remain open to future accrual, of which 26% remain open to new hires	Far more universities have kept schemes open than in other sectors.
	Annual running costs average £775,000 (£700,000 in 2024 report)	10% increase in average running costs. Scope remains to reduce running costs in some cases

What should universities be doing?

1) Review long term objectives

Funding levels for DB schemes have improved dramatically in the last two years with rising yields. This has also shrunk scheme liabilities, often by around 40%, meaning schemes are less of a risk to university balance sheets now. On top of this, the pensions regulatory environment is encouraging strategies other than insurance buy-out for DB schemes to better deploy the £1.2trn of assets in DB schemes for the UK economy.

One option is run-on, which opens up the ability to generate surplus and share this with sponsoring employers. With 70% of university DB schemes still open to future accrual, and therefore not as mature as most private sector DB schemes, the run-on opportunity is more significant for universities than many other employers. Universities should review their long term objectives, and in particular consider if run-on is attractive.

Ten of the better funded schemes in this analysis could all generate surplus distributions back to their sponsoring universities averaging 17% of scheme assets over the next 10 years with a run-on strategy.

2) Complete required data projects efficiently

A new funding regime has been in place for DB pension schemes since September 2024, and applies to all triennial valuations going forwards. The main new development is to have a funding plan to reach a "Low Dependency Funding Basis" that does not place significant reliance on the employer covenant. This is a tougher funding target than the previous "Technical Provisions" requirement. 84% of university schemes are in deficit on this measure. It's important that universities and Trustees engage early in the valuation process to assess the viable options under this new regime, including the flexibilities for open schemes where applicable.

Another requirement is the need to potentially include an expense reserve in the liabilities. Whilst this is only mandatory when there is no requirement under the scheme rules for the university to fund the running costs, it should be considered in other circumstances. This brings running costs into focus, and universities and Trustees should review costs and processes to effectively manage the subsequent expense reserve.

3) Review operational processes and costs

Running costs for DB schemes can get very high. We have seen a 10% increase in average running costs over the year to £775,000 per annum. Expressing this as a proportion of the liabilities, recognising larger schemes have larger costs, gives average annual expenses of 0.4% of the liabilities, with a wide range around this. Whilst some of this cost is necessary with data work such as the need to equalise GMPs, ensuring value for money is important. Options to consider include:

- **Review service providers:** with continued consolidation and innovation in the provider market, review service providers to ensure you're getting the best value for money;
- **Shrink trustee boards:** consider shrinking boards to 3 trustees or use a sole trustee to drive efficiencies and quicker decision making;

- **Consider packaged solutions:** many advisers and professional trustee firms now offer lower cost solutions, particularly for admin and actuarial services, which leverage economies of scale from a book of clients.

We estimate the average running costs of £775,000 per annum in this analysis could be cut by 30% with these actions – that’s an average saving of £230,000 per annum.

Get in touch

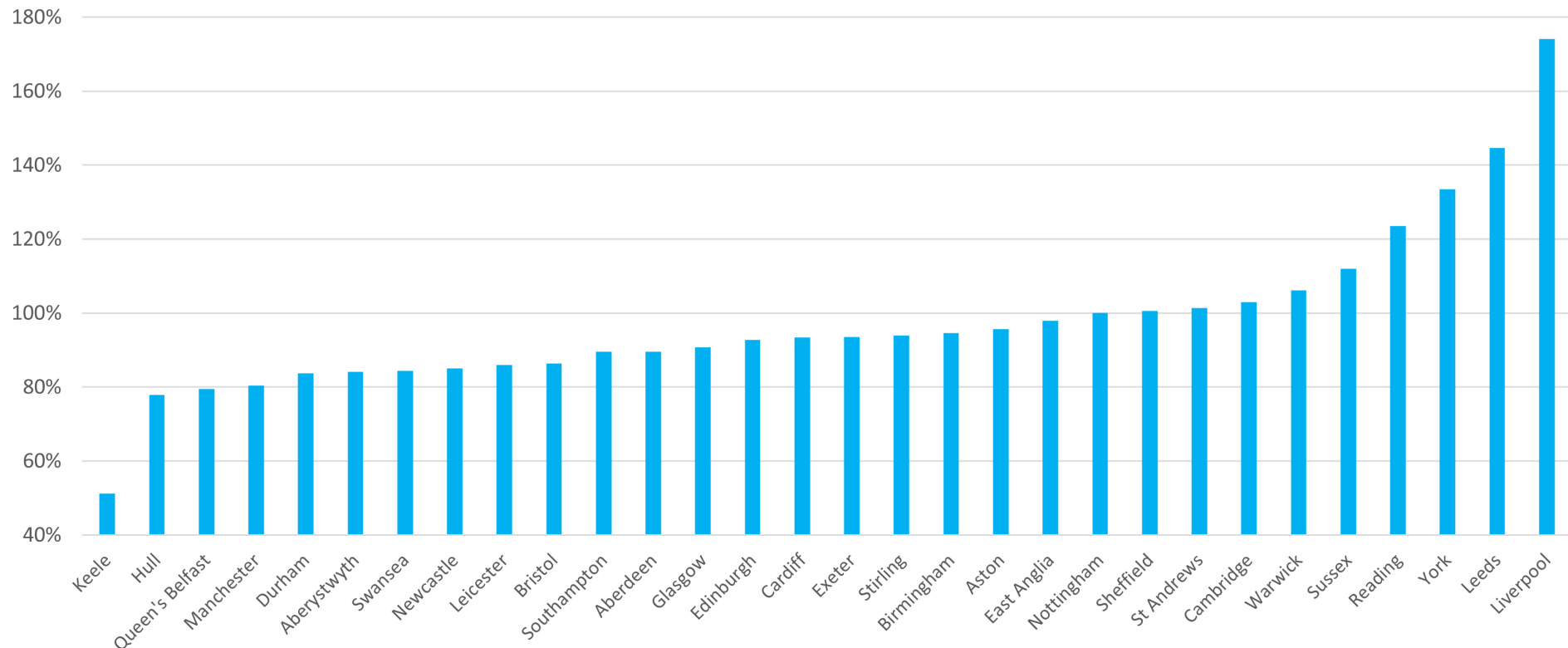
To discuss ways to address deficits, access surpluses, reduce running costs or assess your scheme against this analysis, get in touch.



The results in more detail

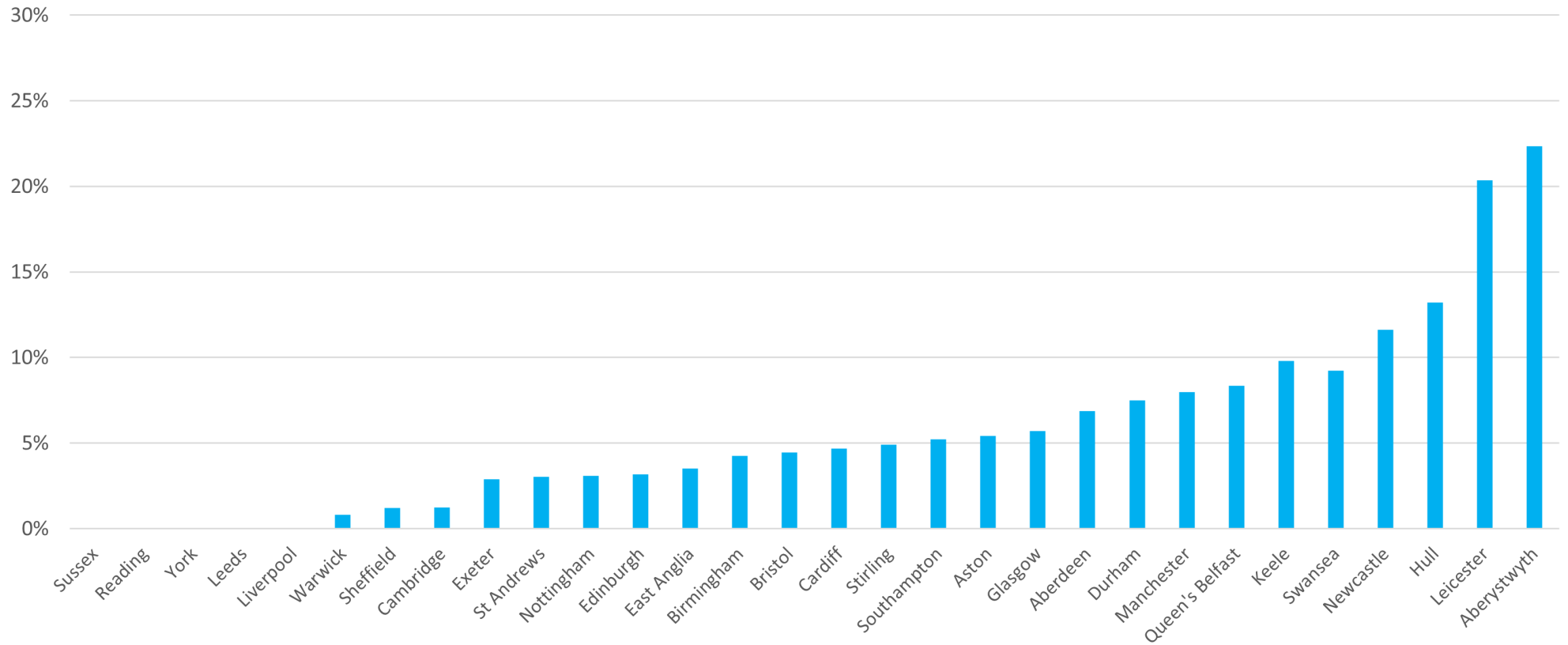
The charts below show the spread of outcomes for the different charities included in this analysis.

FRS102 FUNDING LEVEL



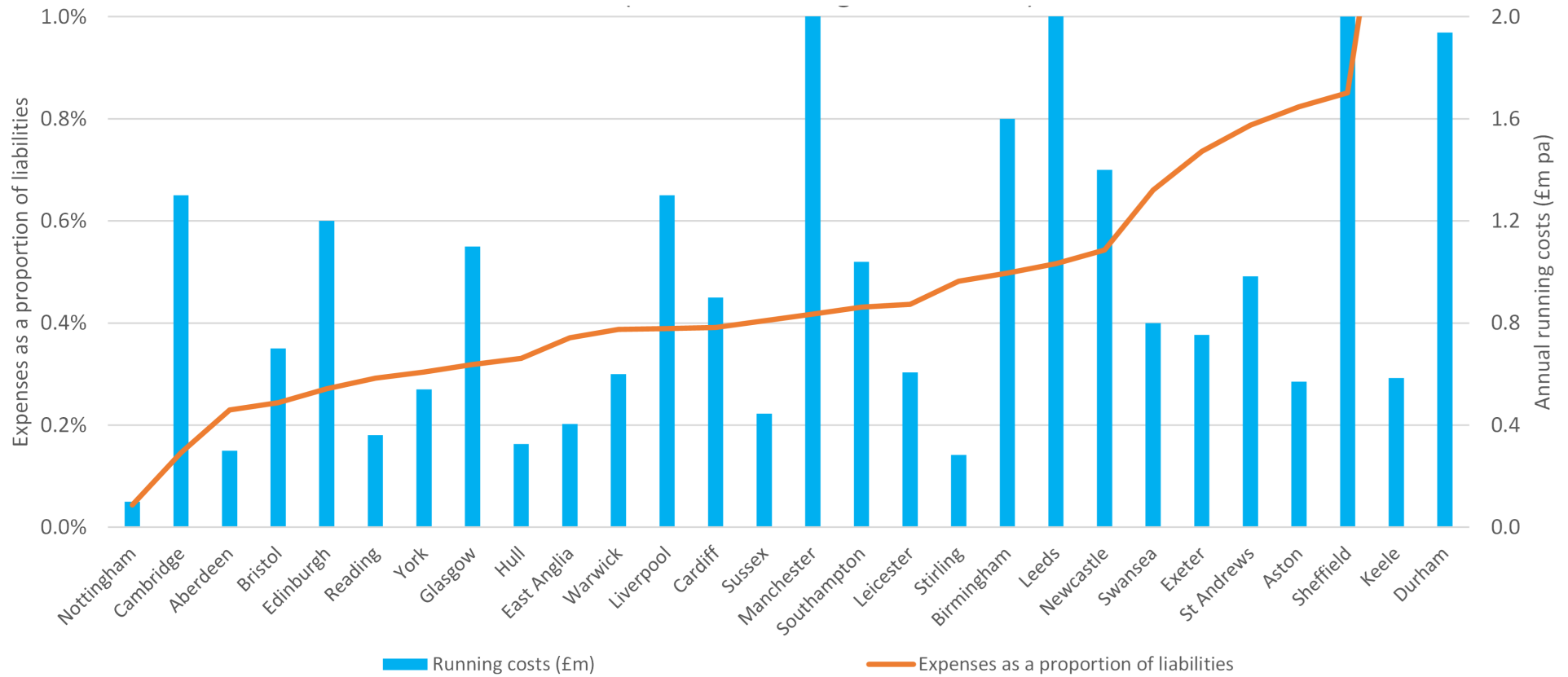
- Wide range of funding levels from 51% to 174%, but on average more poorly funded than other sectors.
- 70% of the universities in surplus restrict the DB asset recognised on balance sheet.

ESTIMATED LOW DEPENDENCY DEFICIT AS A PROPORTION OF UNIVERSITY UNRESTRICTED RESERVES

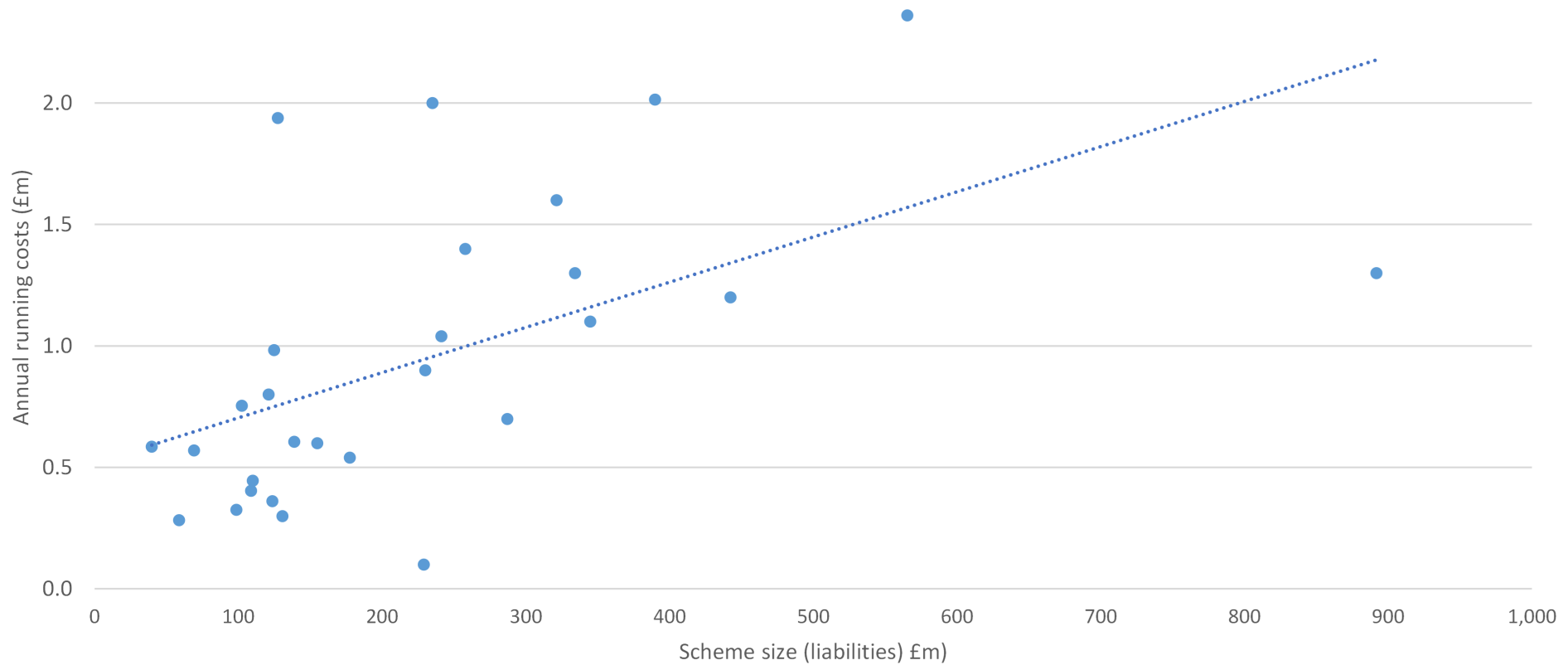


- 84% of schemes remain in deficit on an estimated “Low Dependency” basis as introduced by the September 2024 pensions funding regime. Funding of this deficit will be a key consideration at forthcoming triennial valuations. Universities and Trustees should engage early to assess the viable options.

RUNNING COSTS - % OF LIABILITIES (ORANGE LINE AND LEFT HAND SCALE) AND £ AMOUNT (BLUE BARS AND RIGHT HAND SCALE)

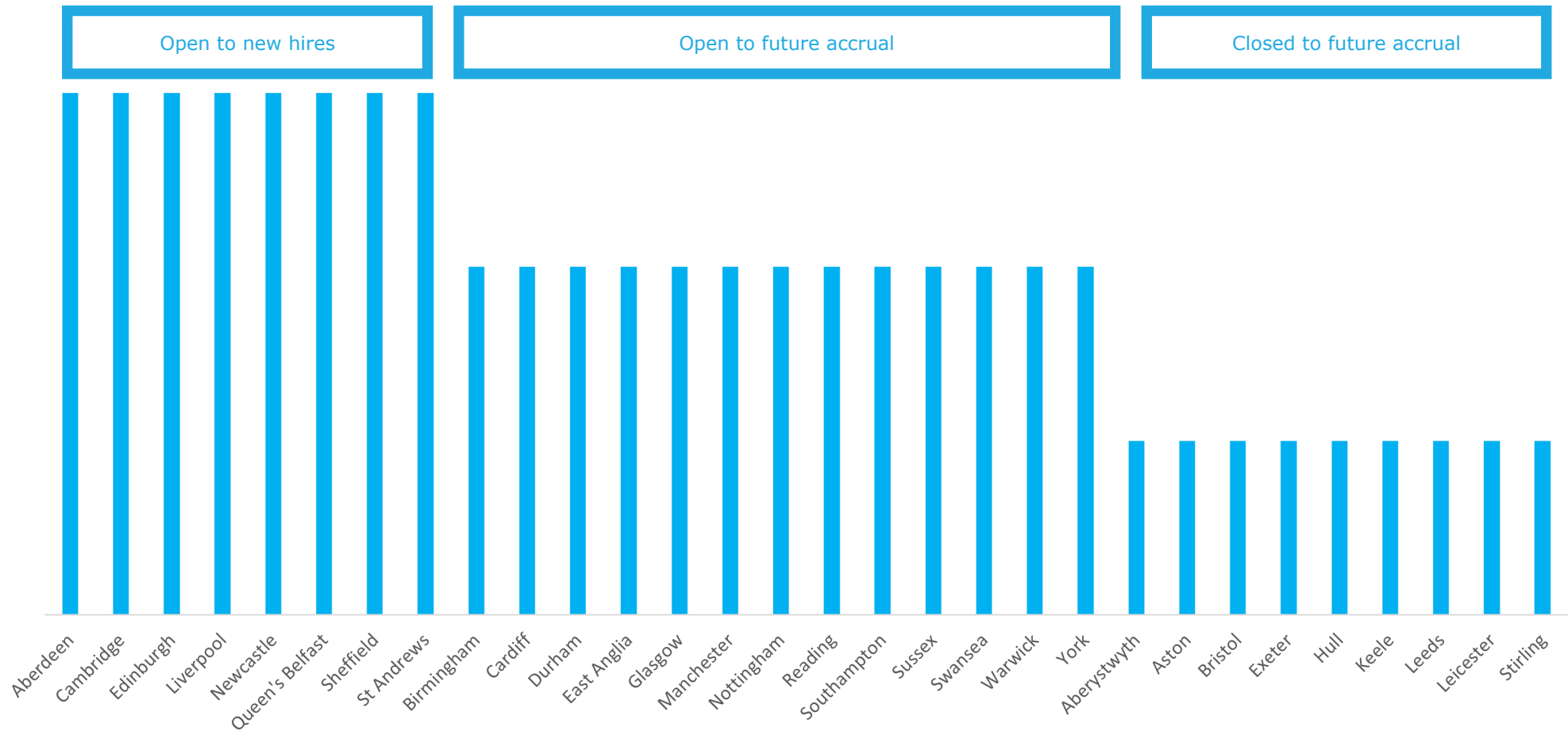


- Running costs vary from 0.1% of liabilities to over 1.0% of liabilities, averaging 0.4% of liabilities or £775,000 per annum in £ terms.
- Running costs are correlated to some extent to scheme size (see next chart).

RUNNING COSTS (£M PER ANNUM) – RANKED BY SCHEME SIZE

- Whilst there is a correlation between scheme size and running costs (as shown by the trend line above), there is also a wide dispersion of costs at particular scheme sizes, particularly around the £100m - £400m scheme size level.

SCHEME STATUS – OPEN TO NEW HIRES, OPEN TO ACCRUAL, CLOSED TO ACCRUAL



- 70% of schemes remain open to future accrual, of which 26% are also open to new hires.
- Most that are still open to accrual have initiated benefit reform in recent years, often moving from a final salary to career average structure.
- A few have DC sections in the Trust, but most that offer DC for newer hires have set up separate DC arrangements outside of the DB trust.

THE FULL LIST OF UNIVERSITIES INCLUDED IN THIS ANALYSIS IS AS FOLLOWS:

University	Year end	DB assets (£m)	FRS102 liabilities (£m)
Aberdeen	31/07/2024	116.9	130.6
Aberystwyth	31/07/2024	73.4	87.3
Aston	31/07/2024	66.2	69.2
Birmingham	31/07/2024	304.0	321.4
Bristol	31/07/2024	247.8	287.2
Cambridge	31/07/2024	918.4	891.9
Cardiff	31/07/2024	214.8	230.0
Durham	31/07/2024	106.7	127.5
East Anglia	31/07/2024	106.5	108.8
Edinburgh	31/07/2024	410.3	442.4
Exeter	31/07/2024	95.7	102.4
Glasgow	31/07/2024	312.9	344.9
Hull	31/07/2024	76.7	98.5
Keele	31/07/2024	20.3	39.7
Leeds	31/07/2024	564.0	389.9
Leicester	31/07/2024	119.2	138.8
Liverpool	31/07/2024	581.6	334.2
Manchester	31/07/2024	454.8	565.5
Newcastle	31/07/2024	219.3	257.9
Nottingham	31/07/2024	228.9	229.0
Queen's Belfast	31/07/2024	171.8	216.3
Reading	31/07/2024	152.7	123.7
Sheffield	31/07/2024	236.5	235.1
Southampton	31/07/2024	215.9	241.3
St Andrews	31/07/2024	126.4	124.8
Stirling	31/07/2024	55.1	58.7
Sussex	31/07/2024	123.1	110.0
Swansea	31/07/2024	102.1	121.1

University	Year end	DB assets (£m)	FRS102 liabilities (£m)
Warwick	31/07/2024	164.3	154.8
York	31/07/2024	236.8	177.5

Oxford University also has a DB scheme, but it is accounted for on a DC basis as it is a multi-employer scheme across the colleges, and is therefore excluded from this analysis.

Methodology

We have analysed the 31 July 2024 published accounts of 30 universities with their own standalone DB schemes. The schemes range in size from £20m to £900m of assets.

The vast majority of the data is taken directly from the university accounts, without making any further judgements, but further detail on the approach used includes:

- Unrestricted reserves of the universities are considered when assessing the size of the university relative to the size of the pension scheme. This is on the basis that restricted funds and endowments are generally not available to support the pension schemes.
- The unrestricted reserves considered are prior to the deduction of any DB deficit or addition of a DB asset for the standalone schemes in this analysis. Any reserves adjustments for other pension schemes (e.g. USS) are retained.
- Low dependency liabilities are estimated by applying a 10% uplift to the disclosed FRS102 liabilities. This is intended to give a broad proxy for a low dependency basis, but does not reflect scheme specific circumstances and maturity.
- Some universities are excluded from some of the metrics because the data was not disclosed (for example with scheme running costs).

About Spence & Partners

The charity and not-for-profit practice at Spence & Partners has a 20 year track record of delivering pensions advice, and is recognised as one of the pre-eminent pensions advisers in the sector. We have advised 100s of charities and not-for-profit organisations on pensions.

Spence & Partners use the proprietary pensions software Mantle for advising and administering DB schemes. This integrated actuarial, administration and investment system fully automates processes and removes the need to transfer data from one system to another, significantly reducing running costs for schemes.

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