

# Transferring pension benefits to USS from other schemes

### What is a pension transfer?

A pension transfer involves the payment to USS of a sum of money (a transfer value) from another pension scheme. This money represents what you have built up through your membership of a particular scheme. It is the amount the scheme will pay to USS if you decide to give up your entitlement to benefits from that scheme.

### Who can transfer benefits to USS?

You should check with the administrator of your previous scheme to see if a transfer is possible. If you have been advised that you are entitled to deferred benefits you should have a right to transfer those benefits to USS, except from some overseas schemes. You must be an active member of USS (ie your membership has not been suspended) when you request the transfer. It is not possible to transfer benefits to USS once you have left. Please note that you do not have an automatic right to transfer as this is subject to the discretion of the Universities Superannuation Scheme Ltd (the Trustee Company). However, in practice, the majority of transfer requests are accepted.

### What can I transfer to USS?

You can transfer most pension benefits, mainly those approved as a pension scheme by HM Revenue & Customs, but also many overseas pension arrangements. There is more information on overseas transfers within this factsheet.

Typical pension schemes in the UK that can be transferred are schemes provided by a former employer (occupational pensions scheme), personal pensions, stakeholder plans and buy-out policies, which are policies provided by insurance companies solely to accept transfer payments from other pension arrangements.

There is one main exception for UK pension schemes, which is you cannot transfer into USS a pension policy that is a 'Free-Standing Additional Voluntary Contribution Scheme', known as an FSAVC. Essentially

this is a policy, which you set up outside of USS with another provider to which you pay extra contributions, usually by direct debit.

The rules of USS do not allow you to transfer this type of policy either to purchase extra years in the main scheme, nor to transfer into the USS money purchase AVC, administered by Prudential.

### What credit will I receive for my transfer?

In exchange for your transfer value you will be credited with an additional amount of pensionable service in USS. The amount will depend on the amount of transfer value available and whether the transferring scheme is in the Transfer Club. This service will be aggregated with your accrued service and any service you may be buying through voluntary contributions. The total amount of your service will be used to calculate any benefits that become due to you. It will increase the amount of potential retirement benefits, leaver benefits and death benefits. Service credited in this way may not always be taken into account, however, in deciding whether a particular benefit may be paid.

### When can I transfer?

If the scheme you are transferring from is a member of the Transfer Club then you must advise USS within two years of joining USS of your wish to transfer in order to benefit from the beneficial transfer terms. Should you not accept the transfer offer within the guarantee date stated on the correspondence, you can re-investigate the transfer-in at a future date, but the transfer will not be calculated using Transfer Club terms if this re-investigation is more than one year since joining USS.

For all other transfers your request can be made at any time between joining USS and age 65, or date of leaving if earlier. For all transfers outside the Transfer Club, members should be aware that your actual salary and age at the time of the transfer has an impact on the service you will be offered for that transfer. As your salary and age increases this will have a negative effect on the amount of service offered.

If you leave whilst a transfer-in request is being processed, the Trustee Company will honour any formal offers made prior to notification of termination but any other incomplete transfers will be cancelled.

## What is the Public Sector Transfer Club?

USS participates in the Public Sector Transfer Arrangements (known as the Transfer Club). The Transfer Club was established to assist in the free movement of employees between employers with similar workforces. Other schemes that participate are central and local government pension schemes and most public sector bodies including the National Health Service Pension Scheme (NHSPS) and the Teachers Pension Scheme (TPS). If you are unsure whether your former scheme participates in the Transfer Club you should ask the administrator of the scheme.

Transfers between schemes in the Transfer Club ensure that the benefits you receive in the scheme you are joining are equal in value to the deferred benefits you are giving up in the scheme you are leaving. The service credit is calculated in accordance with instructions provided by the Government Actuary and is based on the service completed in the previous scheme. Allowance is made for any differences in benefit structure between the previous scheme and USS in line with the advice of the Government Actuary. The Transfer Club arrangements only apply to individual transfer requests and not those that form part of a bulk transfer (refer to bulk transfer section of this factsheet).

Because of variations between the benefit formulae and retirement ages of different schemes, the amount of pensionable service you are offered by USS may differ from your pensionable service in your previous scheme. The main benefit of this method of dealing with transfers is that any change in a member's salary which occurs as a result of changing employment (and therefore changing scheme) is ignored.

Time limits apply for receipt of an application to make a transfer on club terms into USS. Further details are given in the section "When can I transfer?".

## What if my previous scheme is not in the Transfer Club?

You should remember that transfers of pension benefits from insurance companies and non-Transfer Club schemes are commercial transactions determined by two separate actuaries' calculations. The actuary for your previous scheme will calculate the money available if you give up your entitlement under that scheme. The method of calculation and the factors used are determined by the actuary for that scheme. On receipt of the transfer, the service credit is calculated in accordance with the instructions provided by the USS actuary and is calculated such that the benefits granted are equivalent in value to the transfer value received. The calculation, using your current salary, makes allowance for assumed rates of increases in salary and pension and future investment returns, these being advised by the actuary. It also takes account of the probability of each benefit payment being made, this being dependent on your, and your dependants', expected life span.

The result is that the period of service offered in USS is usually lower than the period of membership of the previous scheme, sometimes significantly lower.

## Transfers from overseas schemes

Transfers from overseas schemes may be possible. You should check with the administrator of the scheme whether a transfer value could be paid to a UK scheme.

Since April 2006, any transfers received from a recognised overseas pension scheme are excluded from the calculation of the available lifetime allowance and of the annual allowance for tax purposes.

A transfer can generally be made from USS to an overseas scheme that is allowed by its governing law to accept it and is willing to do so, but the transaction will attract a large UK tax charge unless the receiving scheme gives certain information and undertakings to HM Revenue & Customs; and it will be subject to extra formalities here, and probably also in the overseas country concerned. If you are considering transferring benefits in to USS from overseas with a view to transferring them out at a later date to an overseas scheme you should contact USS for further details.

## Transfers from a personal pension or stakeholder scheme

Many personal pension schemes are contracted-out of the State Second Pension. If your personal pension was contracted-out part of the transfer value will be in the form of protected rights. Protected rights accrued prior to 6 April 1997 must be converted to the equivalent guaranteed minimum pension (GMP) in USS. The Trustee Company will only accept a transfer from a personal pension scheme if the amount of transfer value available is sufficient to cover the GMP liability being transferred.

If you transfer benefits to USS from a personal pension scheme you cannot have a refund of any of your contributions if you leave USS within two years. This restriction applies no matter how short a period of time you have been in USS.

## Transfers from non-academic schemes

If you change jobs at a USS institution and as a result become eligible to join USS having previously been a member of your institution's non-academic scheme you will normally be able to transfer your benefits to USS. You will not be guaranteed an equal amount of service in USS compared to your service in the non-academic scheme. If the non-academic scheme is a Transfer Club scheme you will receive an equal value of benefits as explained earlier (except for bulk transfers). However, many non-academic schemes are not Transfer Club schemes.

## Transfers from money purchase AVC schemes

You may have contributed to a money purchase AVC scheme whilst you were a member of your previous scheme. Although USS may be able to accept a direct

transfer from the money purchase AVC scheme it must be transferred to a similar arrangement with the USS money purchase AVC, administered by Prudential. Your employer can advise you how to join the Prudential AVC facility which is part of USS. You are not able to transfer free-standing AVC funds either directly to USS nor to the money purchase AVC administered by Prudential.

### Part-time employees

If you are employed on a part-time basis the credit you will receive in USS for a transfer will be based on the full-time equivalent of your actual part-time salary and will be expressed as full-time service. For example if you have a part-time service fraction of 50% (half time) and you are credited with five years additional pensionable service this is equivalent to 10 years part-time service at 50%. The amount of service you will be credited with will not therefore change in the future even if your part-time service fraction changes. If you were employed on a part-time basis in your previous scheme and the scheme is in the Transfer Club we will use the full-time equivalent of your salary in that scheme.

### Equalisation of benefits

All schemes are required by law to have equalised their benefits to eliminate any inequality between the sexes. In practice not all schemes have equalised their benefits.

When a transfer takes place, the receiving scheme becomes liable for any inequality that may subsequently be identified in the benefits that have been transferred. In common with many other schemes USS requires an indemnity from the administrator of a scheme before a transfer can be accepted from it. The schemes in the Transfer Club, including USS, have signed a reciprocal agreement to indemnify each other. There are however some schemes that will not provide an indemnity and in those circumstances a transfer cannot take place.

### Guarantee period

When we have received details of the transfer value available from your previous scheme's administrator we will calculate the amount of pensionable service credit the transfer value will secure in USS. A written offer will be sent to your employer to pass on to you (USS does not keep details of active members' addresses). If a transfer is from a personal pension or money purchase arrangement, the Trustee Company cannot offer a guarantee because the quotation from the transferring policy/scheme will not be guaranteed.

If the transfer is from a non-club scheme which guarantees its transfer quotations, then, if the transferring scheme receives your acceptance to transfer before the guarantee date expires, the Trustee Company will guarantee the level of service offered, subject to the Trustee Company receiving the transfer payment within six months of acceptance. If the acceptance forms are returned after the guarantee date has expired then a transfer may still be possible, subject to

a new offer being made by the Trustee Company using the revised transfer value and your current salary. You will be advised in the offer letter from the Trustee Company if a guarantee applies and if so the expiry date.

Transfers calculated under the Transfer Club rules are based on the factors appropriate to the date on which the transferring scheme calculates the transfer value. This is known as the guarantee date. If you accept the terms of the transfer within three months of the guarantee date then the pensionable service credited when the transfer is finalised will not change unless there has been a material change in the information provided to USS. If the transfer is not accepted within three months of the guarantee date then the transferring scheme will re-calculate the transfer value on the date your written acceptance to the transfer is received in their office and will be based on the factors appropriate to that date. This then may lead to small discrepancies between the estimated amount and the final figure. If you do not accept the terms of the transfer within twelve months of joining the receiving scheme (USS) you may lose your entitlement to a transfer under club rules.

### Early payment of benefits transferred to USS

#### Transfer values agreed before 1 April 2009

Benefit for any service transferred to USS may be actuarially reduced, in certain circumstances, in the event of your early retirement before age 60, other than on grounds of ill-health.

This reduction applies:

- If the transfer payment is received by USS within one year of you joining the scheme then the transferred in service will be reduced if you retire with less than seven years active membership since joining.
- OR
- If the payment is received by USS more than one year after joining then the transferred-in service will be reduced if you retire with less than seven years active membership since the payment had been received (although a period of six months is discounted for administrative time taken to complete the transfer). This condition applies to all transfer quotations (except bulk transfers - see next heading). The reduction would be applied only to the benefit for the service transferred in, irrespective of whether or not the remainder of your USS pension has been reduced for early payment.

If you leave the scheme and choose the option of deferred benefits you have a right to have your deferred benefits brought into payment from age 60.

Your pension, including any attributable to service transferred-in, may be reduced. Please refer to factsheet eight for more details.

## Transfer values agreed on or after 1 April 2009

If you agreed a transfer-in to USS on or after 1 April 2009, the benefits granted will be payable in full from age 65. If you draw these benefits early, except in the case of incapacity retirement, the benefits in respect of the transfer-in will be reduced for the years and days earlier than age 65. This also applies if you leave the scheme early and then decide to draw your benefits before age 65.

The exception for transfers held by the scheme for more than seven years applying to transfers agreed before 1 April 2009 does not apply to transfers agreed after 1 April 2009.

## Bulk transfers

There are circumstances when the Trustee Company will agree to accept transfers for a group of members on a special basis. These are referred to as bulk transfers and usually arise because of the merger of a USS institution with another higher education or research organisation. The terms offered as part of a bulk transfer are agreed at the time of the merger and the members involved will be provided with the appropriate details to the extent that they are different to the normal arrangements.

## Form of authority

In order to obtain details of your benefits in another scheme you must provide the Trustee Company with your written authority to obtain this information. You should complete a transfer request form in respect of each scheme in which you are entitled to benefits. Completing this form does not commit you or the Trustee Company to completing the transfer. The transfer request form is included in this pack, further copies are available from the USS website [www.uss.co.uk](http://www.uss.co.uk) or from your employer. When we receive the form/s we will contact the administrator/s of the other scheme/s and request details of the transfer value available.

## Points to consider

Before you decide whether to proceed with a transfer to USS you should consider all the options available to you. Remember that after you have transferred your benefits to USS you will have given up all your rights in the previous scheme.

You should contact the administrator of the scheme if you are unsure about your options. In particular you should compare the amount of deferred benefits you will be giving up with the benefits you have been offered by USS. The key question you should ask is "what is my salary in real terms likely to be when I retire?" Because USS benefits are based on your salary history prior to your retirement, career progression will normally increase the value of benefits transferred to USS.

If you are transferring from a Transfer Club scheme it is likely that the benefits in USS are very similar but you should compare the arrangements for early payment of benefits and the provision for death in service and ill-health retirement benefits in both schemes. If your salary in USS (or full-time equivalent if you are part-time) is greater than your salary in the previous scheme, the benefits provided by both schemes are broadly comparable and you have been offered approximately the same amount of service you are likely to be better off transferring your benefits. This may not be the case if your salary in USS is less.

If you are transferring from a non-Transfer Club scheme you should find out what increases your deferred benefits will receive if you leave them until you retire, and also what arrangements exist for early payment of your benefits if you were made redundant, became seriously ill or died.

Some schemes have special arrangements for former members who return to their employment. If you think you might be a member of USS for a short time and might then return to your previous employer you should ask how your benefits would be treated if you either transferred them to USS or left them in the scheme.

## Pensions TV

To learn more, please visit the USS website ([www.uss.co.uk](http://www.uss.co.uk)) to watch the Pensions TV programme about transferring benefits to USS.

