

Benefits payable on death in service



Will my spouse or civil partner receive a pension?

If you die in service a pension will be payable to your spouse or civil partner for life. The amount of the pension would usually be equivalent to half the pension you would have received had you remained in the scheme until age 65 (service is restricted to a maximum of 40 years, unless the member had more than 40 years on death) but based on your current pensionable salary. It might be different from the usual if your USS benefits had been affected by a settlement on the breakdown of a marriage or civil partnership (see factsheet twenty). It might be less than usual if you were not living with your spouse or civil partner when you died and some pension was redirected to a dependant (see factsheet seven). It might be more than usual if you have allocated some of your own pension to your spouse or civil partner. The usual amount would depend on how much pensionable service you would have been credited with if you had remained in the scheme until age 65 subject to a maximum of the service achieved at death or 40 years, whichever is the greater. If you had achieved 40 years service prior to date of death and elected to continue paying contributions to USS, the additional service will be included in the calculation of your spouse/civil partner or dependant’s pension.

All the examples in this factsheet are based on a full-time employee who has unbroken service after joining USS until their death.

Example of annual spouse’s/civil partner’s usual pension on death in service.

Age on joining	Pensionable salary at date of death		
	£20,000	£30,000	£40,000
age 25 or less	£5,000	£7,500	£10,000
age 35	£3,750	£5,625	£7,500
age 45	£2,500	£3,750	£5,000
age 55	£1,250	£1,875	£2,500

Note 1: No account has been taken of AVCs or transfers from other schemes.

What if I am not married or not in a registered civil partnership?

A pension may also be payable if you are not married and do not have a registered civil partner but have a dependent partner or there is someone else who is dependent on you. The amount of the pension cannot exceed the amount of pension which would be payable to a spouse or civil partner (see factsheet seven).

Initial pension payments

During the first three months following your death a higher amount of gross pension is payable if you have been in active membership for at least five years in aggregate. This is based on a twelfth of your pensionable salary calculated at the date of your death. From the fourth month following your death the amount of pension is reduced to the normal level as explained above.

Is a lump sum payable?

A lump sum, equivalent to three times your annual salary at the date of your death, is payable under discretionary trusts.

Exceptionally, where your pensionable salary is considerably larger than your current salary as a result of a reduction in your salary, the lump sum may be based on a notional calculation of the retirement lump sum you would have received from the main scheme if you had retired on the grounds of ill-health the day before you died.

Payment can be made to a relative, dependant, personal representative or someone else nominated by you. You can obtain an Expression of Wish form from this guide, the USS website www.uss.co.uk or from your employer to advise Universities Superannuation Scheme Ltd (the Trustee Company) of the identity of the person/s you wish to receive any lump sum which may become payable on your death. The payment is made at the discretion of the Trustee Company in order to ensure that the lump sum is not subject to UK inheritance tax. USS cannot therefore be bound to comply with your wishes.

You have the option to request that the whole of the lump sum is payable to one nominated beneficiary or it can be divided among several such beneficiaries. A nominated beneficiary can be a charity or any other organisation capable of receiving a lump sum.

What if I am aged over 65?

Benefits are calculated in the usual way, based on your accrued service and pensionable salary at the point of death.

Will a pension be payable in respect of my children?

To be your eligible child, a person must be your lawful child (including any not yet born) or legally adopted by you or, if a natural child or a stepchild or any other child accepted by you as a member of your family, financially dependent on you. If eligible and your children are either under age 18 or are receiving full-time education or undergoing full-time training approved by USS they will qualify for a pension. However, children's pensions will normally stop at age 23 although in very limited circumstances they may continue to be paid but special tax charges apply. A full-time course at a university, college of further education, or college of higher education would normally qualify as full-time education. A full-time course of training leading to a professional qualification or full-time vocational training would normally be approved.

A child, of whatever age, who is physically or mentally incapable of being self-supporting may also qualify for a pension.

The maximum pension payable is equivalent in total to three-quarters of the pension you would have received had you remained in the scheme until age 65, subject to a maximum calculated by reference to service achieved at death or 40 years.

Example of annual children's pension (2 or more eligible children).

Age on joining	Pensionable salary at date of death		
	£20,000	£30,000	£40,000
age 25 or less	£7,500	£11,250	£15,000
age 35	£5,625	£8,438	£11,250
age 45	£3,750	£5,625	£7,500
age 55	£1,875	£2,813	£3,750

Note 2: Half these amounts are payable if there is only one eligible child.

The Trustee Company may divide the pension between three or more children. If you have only one child who is eligible the amount payable is equivalent to three-eighths of the pension you would have received at age 65 (subject to a maximum of service achieved on death or 40 years, whichever is greater). If a child is over age 18 then the pension must be paid to his/her own bank account unless there is any reason why this would be inappropriate.

Higher rate children's pensions

If you are not married and do not have a registered civil partner at the date of your death and no dependant's pension is payable on your death (see factsheet seven), then the amount of pension payable to your children will be increased from a maximum of three-quarters of the pension you would have received at age 65 to an amount equal to the pension you would have received. This increase would also be paid if a pension to your spouse, civil partner or dependant stopped following their death.

Additional lump sum if none of the above pensions are payable

If you do not leave a spouse, registered civil partner or dependant and have no eligible children an additional lump sum may be payable depending on your age and service at the date of death. Generally the younger you are the greater the amount of the lump sum. An annuity paid as a result of allocation does not preclude payment of such an additional lump sum.

Allocation

If you want to provide additional pension after your death to your spouse or civil partner, and/or to one or more other beneficiaries of a permitted kind, there is provision to surrender part of your own retirement pension and allocate it to that beneficiary (or those beneficiaries). See factsheet eighteen.

Pension increases

All spouse's, civil partner's, dependants' and children's pensions are reviewed annually. Payments made from the main section of the scheme are guaranteed to be index-linked. Pensions paid from the supplementary section are normally increased to the same extent if the funds are available.