

# Options on leaving

## Transferring to another USS institution

Over 390 employers from the university and higher education sector participate in USS. It is therefore very likely that, should you move within the UK university or higher education sector, your new employer will also participate in USS.

If you do transfer to another USS institution and there is less than one calendar month between employments you are entitled to remain in USS without a break in your service. Your former institution will notify your new institution that you are transferring.

If there is more than one calendar month between employments you will be classed as having left the scheme and your options are the same as any other leaver as detailed in the following paragraphs.

Please however read the section 'Rejoining USS' to determine which section of the scheme you would rejoin.

## Leaving USS within two years of joining

If you leave USS either because you have left employment or you choose not to continue in USS and you have less than two years of USS service your options are as follows.

You can receive a refund of your own (not your employer's) contributions, less deductions for national insurance and tax. The deduction for national insurance is necessary because you are contracted-out of the State Second Pension whilst a USS member. If you receive a refund USS must pay a premium to HM Revenue & Customs to re-instate you in the State Second Pension. There is also a tax deduction of 20% (50% tax on the excess of refunds over £20,000) in respect of the tax relief you received on your contributions whilst a member of USS.

Please note, if you transferred benefits from a Personal Pension into USS you will not be able to receive a refund, even if your service including the transfer is less than two years.

As alternatives to the refund you can opt either:

- 1 to receive a deferred pension and tax-free lump sum based on the value of your own contributions to the scheme (if you have entered into a salary sacrifice arrangement, these contributions will include contributions which will have been paid on your behalf by your employer), calculated by multiplying these contributions by an actuarial factor; or
- 2 to transfer your benefits to another approved pension arrangement.

If you choose to opt-out of USS whilst remaining in pensionable employment at a USS institution you are required to give 28 days' notice; please contact your employer if you are considering this option. If you opted into a 'salary sacrifice' arrangement offered by your employer in respect of your standard USS contributions, for the period of any sacrifice, you will not be entitled to a refund of contributions as these will have been paid for you by your employer as part of the salary sacrifice arrangement.

## Leaving USS with two or more years of USS service

If you have two or more years of USS service when you leave, or if before you leave you have transferred benefits from a personal pension scheme into USS, then you are eligible for a deferred pension and tax-free lump sum from normal retirement age calculated as follows:

$$\begin{aligned} \text{Pension} &= \text{pensionable service} \\ &\quad \times \\ &\quad \quad 1/80\text{th} \\ &\quad \quad \times \\ &\quad \quad \text{Pensionable salary at leaving} \\ &\quad \quad + \\ \text{Lump sum} &= 3 \times \text{pension} \end{aligned}$$

Within broad limits the balance between pension and lump sum may be altered at your option just before the benefits come into payment.

This pension and lump sum will increase between your date of leaving and retirement or subsequent transfer by the full rise in official pensions (for example pensions for Teachers, NHS and the Police) over that period. Increases to benefits for service since 1 October 2011 are limited to 5% a year. If official pensions increase by more than 5% in any year then for each % over 5%, 50% of this increase will be applied in USS up to a maximum increase of 10%. So, if official pensions increased by 15%, the USS increase would be 10%.

If you choose to opt-out of USS whilst remaining in pensionable employment at a USS institution, you are required to give 28 days' notice. Please contact your employer if you are considering this option.

Your pensionable salary is your highest average salary, worked out to a formula designed to give you the best possible calculation – 'smoothing out' any adverse ups and downs in your salary over the years, and making adjustments for price inflation.

We calculate your annual salary for each period of 12 months, while you have been a USS member, over a maximum of 13 years prior to your leaving and revalue each salary, except the last 12 months, according to the movement in the Retail Prices Index.

Your pensionable salary is either the highest revalued annual salary during the last three years or your highest revalued salary averaged across any three consecutive years over the last 13 years.

## What happens if I die as a deferred pensioner?

If you die before your deferred pension becomes payable a lump sum equal to the value of your deferred lump sum increased to the date of your death is payable. Universities Superannuation Scheme Ltd (the Trustee Company) has discretion to decide to whom the lump sum is payable. You are strongly advised to nominate your beneficiary/ies using the 'Expression of Wish' form which is included in this guide. Further copies are available from your employer or can be downloaded from the USS website [www.uss.co.uk](http://www.uss.co.uk)

In addition to this lump sum a pension may be payable to your spouse, registered civil partner or dependant (dependant's pension at the discretion of the Trustee Company) equal to 50% of the value of your deferred pension at the date of your death. Additional pensions may be payable to any eligible children at the date of your death up to a maximum of 75% of the value of your deferred pension at the date of death for two or more children (half this amount for one child).

*For the definition of eligible child, refer to the 'Death in service benefits' factsheet at [www.uss.co.uk](http://www.uss.co.uk)*



## Transfer value

At any time other than within the 12 months before normal pension age you are entitled to apply for the transfer of your USS benefits to any other pension arrangement whose administrator or managers are permitted by law, and willing, to accept the appropriate transfer payment.

The transfer payment is worked out by converting the value of your USS pension rights (including any service purchased under the Added Years AVC scheme) to a current cash equivalent using age and sex related factors. The calculation also accounts for fluctuations in the stockmarket but includes no allowance for discretionary benefits. Any AVCs paid into the Money Purchase AVC fund would also be transferred at their value at the time of transfer.

Please consider your choices under the 'Rejoining USS' paragraph below before deciding to transfer your deferred benefits out of USS.

*Please see the 'Leaving the scheme' booklet at [www.uss.co.uk](http://www.uss.co.uk)*



## Rejoining USS

If you choose the option of deferred benefits and rejoin USS in the future, you may be eligible to rejoin the Final Salary section of the scheme if you:

- left before 1 October 2011 and rejoin before 1 April 2014; or
- you leave after 30 September 2011 and rejoin within 30 months.

Otherwise you will rejoin the Career Revalued Benefits section of the scheme. Similarly if you transfer your benefits to another scheme or take a refund of contributions, you will not be able to rejoin the Final Salary section.

If you rejoin the Final Salary section, you will have the option to cancel your deferred benefits and link your previous service with your future service, unless you opt not to rejoin when you are appointed to a pensionable post and do not rejoin within six months of that appointment.

If you are over age 60 at the date of rejoining, only those benefits accrued after 30 November 2006 can be cancelled.

Exceptionally, if when you cease to be eligible to participate in USS, your employer certifies that there is a reasonable expectation that you will return to eligible employment with that employer within 5 years, you will rejoin the Final Salary section. You should speak to your employer for more information.

## Additional Voluntary Contributions (AVCs)

You may have paid AVCs to either the USS Added Years AVC or the Money Purchase AVC. When you leave, your AVC payments must also stop.

If you take up an option to receive a refund of contributions, you will also receive a refund of your AVC contributions, less tax at 20% (or more in exceptional cases).

In any other case your position is as follows:

**Added Years AVCs** – you will receive credit for a pro-rata amount of additional service, for example, if you have made half of the total required added years contributions you will be credited with half the total potential added years you would have bought at the end of your contract.

**Money Purchase AVCs** – your fund will continue to be invested until you transfer your benefits or they are brought into payment.

## Payment of your USS deferred pension benefits

### Normal retirement

The Trustee Company will contact you near to your normal pension age applicable at the time you left or the earliest age at which you could take your benefits in full, if this is earlier. Normal pension age is effective from 65 but will increase in line with increases to state pension age.

The Trustee Company will calculate your pension and lump sum options at retirement age. Your pension and lump sum will be your pension and lump sum at the date you left, increased by the rise in official pensions (for example pensions for Teachers, NHS and the Police) since leaving to the retirement date. Increases to benefits for service since 1 October 2011 are limited to 5% a year. If official pensions increase by more than 5% in any year then for each % over 5%, 50% of this increase will be applied in USS up to a maximum increase of 10%. So, if official pensions increased by 15%, the USS increase would be 10%.

### Incapacity

Subject to medical evidence, you may receive early payment (at any age) of your benefits, without reduction, if you are suffering from an illness or incapacity which would have led to your retirement on the grounds of sickness or incapacity had you remained in USS.

### Early retirement

#### Leavers before 1 October 2011

### Redundancy

If you were made redundant but chose not to draw your pension you still have the right to draw your pension in full before your normal pension age.

The Trustee Company must bring your benefits into payment immediately on request, if after having been in USS for at least five years you left eligible employment at age 55 or over because you were made redundant, or otherwise at the request of your employer in circumstances in which there was no good cause to dismiss you.

Additionally, if you were over age 55 when you left the scheme and had less than 5 years' pensionable service (and were not therefore eligible for an early retirement pension), were made redundant and have subsequently been made redundant again, the Trustee Company has the discretion to bring your benefits into payment.

Since 5 April 2010 such a request cannot be met until you are 55. One exception is if you are made redundant by your employer and you have paid into USS continuously since 5 April 2006 and have at least 5 years' pensionable service, then you may receive your pension from age 50 onwards, even after 5 April 2010.

Benefits payable in respect of any service transferred-in will be reduced if, and only if, they would have been reduced had you drawn your pension immediately upon leaving your eligible employment.

Please see the 'Transfers to USS' factsheet at [www.uss.co.uk](http://www.uss.co.uk)



## All other circumstances

If you have not become entitled to unreduced benefits in the circumstances set out above, and they have not come into payment at the Trustee Company's discretion in such circumstances, you have the right to bring your deferred benefits into payment early at or after age 60; but if they are paid before the ages indicated below, **or your contractual pension age in your last appointment if earlier**, then some or all of your benefits will be reduced as described (see right).

You may also ask for your benefits to be paid from age 55. Payment is at the discretion of the Trustee Company and all benefits would be subject to reduction for early payment as follows:

- Benefits in respect of service before 17 May 1990 will be subject to a reduction if they come into payment before age 65 (men) and 60 (women).
- Benefits in respect of service between 17 May 1990 and 31 March 1995 will be subject to a reduction only if paid before age 60.
- Benefits in respect of service from 1 April 1995 will be subject to a reduction if paid before age 63<sup>1</sup>/<sub>2</sub>.

## Leavers after 30 September 2011

### Redundancy

Up until 1 October 2013, the same treatment applies as for leavers before 1 October 2011. However, if the redundancy occurs after 1 October 2013 any pension payable will be reduced for its earlier payment. Benefits would be reduced as follows:

- Benefits in respect of service before 17 May 1990 will be subject to a reduction if they come into payment before age 65 (men) and 60 (women).
- Benefits in respect of service between 17 May 1990 and 31 March 1995 will be subject to a reduction only if paid before age 60.
- Benefits in respect of service from 1 April 1995 will be subject to a reduction if paid before age 63<sup>1</sup>/<sub>2</sub>.
- Benefits in respect of service after 30 September 2011 will be reduced if paid before normal pension age.

However, reductions for service before 1 October 2011 will not apply if your contractual pension age at 30 September 2011 was less than the ages indicated (but not less than age 60).

## All other circumstances

If you want to retire early for any other reason before the scheme's normal pension age, you may do so at the discretion of the Trustee Company. If you do retire early, your benefits will be reduced for early payment as follows:

- Benefits in respect of service before 17 May 1990 will be subject to a reduction if they come into payment before age 65 (men) and 60 (women).
- Benefits in respect of service between 17 May 1990 and 31 March 1995 will be subject to a reduction only if paid before age 60.
- Benefits in respect of service from 1 April 1995 will be subject to a reduction if paid before age 63<sup>1</sup>/<sub>2</sub>.
- Benefits in respect of service after 30 September 2011 will be reduced if paid before normal pension age.

However, reductions for service before 1 October 2011 will not apply if your contractual pension age at 30 September 2011 was less than the ages indicated (but not less than age 60).

Benefits payable in respect of any service transferred-in will be reduced if, and only if, they would have been reduced had you drawn your pension immediately upon leaving your eligible employment.

*Please see the 'Transfers to USS' factsheet at [www.uss.co.uk](http://www.uss.co.uk)*



## Opting-out within three months of joining (retrospective withdrawal)

This is when, within the first three months of commencing USS contributions, you decide not to continue in the scheme, whether or not you are remaining in the employment of a USS institution. You should notify your employer as soon as possible of your wish to opt out of USS. In this case your employer will refund your USS contributions (not your employer's) through your pay. Your employer will need to make adjustments to your national insurance contributions and tax as you will have paid less national insurance and tax whilst a member of USS.

## More information

Take a look at the Pensions TV programme called 'Leaving USS'.

*More information is available on the USS website at [www.uss.co.uk](http://www.uss.co.uk)*



This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the latter prevail. Every effort has been made to present accurate information at the date of publication and members are advised to check with their employer contact for latest information regarding the scheme, and any changes that may have occurred to its rules and benefits.