

Payment of retirement benefits(OUSS)

Factsheet for former Open University Superannuation Scheme members



Introduction

This factsheet applies to you if you were formerly a member of the Open University Superannuation Scheme (OUSS), you accepted deferred pension benefits and these have now become payable.

It represents the interpretation of the current USS rules and actuarial advice received by USS Ltd. These may change from time to time. The trust deed and rules of USS will take priority over any statement in this booklet should any difference of interpretation arise.

PENSION PAYMENTS

When will my pension be paid?

Your monthly pension will be paid on the 21st day of the month. The first instalment is normally proportionate and paid on the day of your retirement, together with your tax-free lump sum payment, if selected. Subsequent payments will be made on the 21st of each month thereafter. If the 21st day of the month falls on a weekend or bank holiday, your pension will then be paid on the preceding working day.

What if payment of my benefits is delayed?

If, for whatever reason, payment of your benefits is delayed, arrears of pension will be paid with any tax-free lump sum payment. If you have elected to receive a pension and no cash then the arrears will be paid directly to your nominated bank account as soon as possible. Normal monthly instalments will then begin from the 21st of the month following this payment.

Interest will be paid on any amount over six months late or on any payments exceeding £2,000 if over one month late. Please note that any payment of interest will not have had tax deducted; this should therefore be declared to your tax inspector.

How will my pension be paid?

Your pension will be credited directly into a UK bank or building society account that is solely or jointly maintained by you. If you are considering moving abroad, please see paragraph 'Moving Abroad?' for payment options.

How often will I receive a payslip?

Payslips are not produced every month. They are only issued when your net pension payment differs by £1 or more from the amount received in the previous month. Therefore normally, you will only receive a payslip:

- annually each April when pension increases are applied; or
- when an instruction from HMRC is processed to amend your tax code.

How will my retirement lump sum be paid?

USS Ltd will normally pay the lump sum directly to a UK bank or building society account that is solely or jointly maintained by you. Alternatively, you can request payment by cheque.

You are asked to confirm your preference on the retirement option form.

Directly to a nominated bank or building society account

The payment will be made electronically. This method of payment should ensure that funds are generally available on the day of your retirement or, if later, two working days after the date of your retirement letter. You may need to check that your bank or building society will make these funds available to you on the day the account is credited.

By cheque

The cheque will be dated for the day of your retirement but may be received by you in advance to avoid any inconvenience. You should not pay the cheque into your bank earlier than the date that appears on it.

INCOME TAX DEDUCTIONS

How will income tax deductions be applied to my pension?

HM Inspector of Taxes determine the income tax deductions from your pension.

If we do not have your tax code notification at the time of payment, tax will be deducted at the basic rate (22% at the time of publishing). When USS Ltd receives formal notification from HM Revenue & Customs (HMRC) of your tax code, adjustments will then be made accordingly. Please note that until an instruction is received from HMRC, we are unable to adjust your tax code.

What happens if I receive another source of income?

If you are in receipt of income from more than one source, a higher rate of tax may become payable. Should you wish this to be taken into account through PAYE to prevent any underpayment of income tax, you should notify HM Inspector of Taxes of your circumstances, or else you will be required to pay any underpayment as a lump sum in the January following the relevant tax year.

You should also ensure that any new source of income that is likely to have a tax liability (e.g. capital gains) is notified to the tax office by 5 October following the relevant tax year. This will prevent you incurring any penalties for failing to notify them.



How do I contact the tax office?

Should you have any queries regarding your tax position or the tax code allocated, please contact the tax office at the address shown below. Always quote your national insurance number and quote tax reference 428/U168.

HM Inspector of Taxes

HMRC Merseyside

Regian House

James Street

Liverpool

L75 1AA

Your P60

A P60 is a certificate that shows the total amount of pension received from us and income tax deducted in any given tax year. It is issued annually, after the end of a tax year.

Whilst HMRC require us to issue your P60 so that you receive it by 31 May each year, every attempt is made, (although not guaranteed) to issue your P60 to you by 30 April. Please note that this is an important document – please do not destroy it. Keep it in a safe place as you may need it to complete a tax return or prove your income.

What is the Lifetime Allowance?

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can build up in a tax-privileged way in aggregate of all of your pension schemes. You can of course build up a higher value than the LTA, however the excess over the LTA will be taxed. The current LTA value is available from the USS website; in April 2007 this allowance was £1.6 million.

The crystallised value of your OUSS benefits is set out in your retirement letter and is shown as a capital value together with the percentage of the lifetime allowance, which your OUSS benefits will use up. Should you have other pension schemes outside of OUSS that are already in payment, then these pensions will have already used up part of the LTA. You may have been informed by other registered UK pension scheme/s of the percentage of the LTA used when your pension came into payment. You are required by law to disclose this information to any subsequent pension scheme when the information is requested.

OTHER DEDUCTIONS

Give As You Earn (GAYE)

USS Ltd operates a GAYE scheme, whereby you can make contributions to charities through your pension payments and tax relief is given at source on the contribution made. We use a HMRC approved, non-profit making Charities Trust agency to distribute funds.



CHANGE IN PERSONAL DETAILS

For any changes to personal details (address, bank details or marital status), please confirm in writing to the pensions payroll section. Always quote your pension number (from your payslip) and sign and date your letter. Changes received on or after the 5th working day of the month, will be processed in the following month. Please note that you should also notify the tax office of any change to your address.

If you have access to the internet, you may wish to complete our on-line form for any changes to your personal details. Please visit our website www.usshq.co.uk.

If you change your marital status, please inform us in writing as soon as possible and provide a copy of the relevant certificate.

Contacting the pensions payroll section

Any changes to personal details or queries relating to your monthly pension payments should be forwarded to:

Pensions Payroll Section

USS Ltd

Royal Liver Building

Liverpool

L3 1PY

Please quote the pension number on your pension payslip in any correspondence.

Moving Abroad?

If you are moving abroad, please advise us as soon as possible. We will then send you a letter outlining the options available to you, together with a HMRC information leaflet.

The Bank of Scotland offers a service in which your pension can be delivered to an overseas bank account. Further information can be obtained by writing to:

Bank of Scotland

International Division

Operations Department

P O Box No 86

120 St Vincent Street

Glasgow

G2 5DZ

USS Ltd audit checks

From time to time USS Ltd writes to members in receipt of a pension asking them to confirm that they are receiving their monthly pension and that their pension details are correct. The purpose of this letter is to provide a continuing check on the accuracy of our records and is no cause for concern. If you receive such a letter please respond to it as quickly as you can.



WORKING AFTER RETIREMENT

What happens if after my retirement I commence employment?

Retirement, other than on the grounds of incapacity is the cessation of employment, which gives entitlement to membership on or after attaining the age of 50 (55 from 06/04/2010) but without taking any other post, or employment that would give entitlement to membership.

There is no restriction in the rules of USS to prevent you obtaining any kind of employment following retirement, unless you retired on the grounds of incapacity. If however you are offered employment that is pensionable in USS you cannot rejoin the scheme .

If you have retired on the grounds of incapacity please note that the rules of USS provide that USS Ltd may either:

- (i) withdraw or suspend that pension for periods up to normal retirement age if USS Ltd determines that you are no longer suffering from incapacity; or
- (ii) withdraw an enhanced incapacity pension and grant a non-enhanced incapacity pension if USS Ltd determines that you are suffering from partial incapacity and not total incapacity.

If at any time you consider the above applies to you please inform USS Ltd in writing.

DEATH AFTER RETIREMENT

Your pension

In the event of your death, your pension will cease.

If your death occurs before the 15th of a month your last pension payment will be the instalment due for the month prior to your death and any pension payable to a spouse/civil partner will commence from the month of death. If your death occurs on or after the 15th of a month you will be entitled to receive a pension payment for that month and any pension payable to a spouse/civil partner will commence from the following month.

Your spouse/civil partner will receive an amount equal to half your pension, ignoring any reduction made if you took a tax-free cash sum. This pension will be paid in monthly instalments for the rest of your spouse/civil partner's life.

If your spouse/civil partner is more than ten years younger than you, the pension may have to be reduced to take account of the longer time for which it is likely to be paid.

If you are not married at date of death, a pension may be payable to a dependant. Payment of a dependant's pension may only be considered where the deceased was an active member of OUSS on or after 1 September 2000.



Children's pensions

A pension is payable for the benefit of your eligible children. An eligible child is one who is under the age of 18, or is 23 or under and receiving full-time education or full-time training approved by USS Ltd, or is physically or mentally incapable of supporting him or herself. The pension will be equal to one quarter of your pension for one child and one half of your pension for two or more children.

Lump Sum on death after retirement

If you die within 5 years of retirement, a lump sum is payable equal to the discounted balance of five years pension payments at the rate of pension payable to you at date of death.

The lump sum will normally be tax-free.

Payment will be made at the discretion of the Trustee Company (USS Ltd).

Will I receive prior notification of increases to my pension?

Yes. Each year, USS Ltd will write to you to tell you the increase that will be applied to your OUSS pension. This letter will normally be sent to you at the end of March.

Are these increases taxable?

Yes. If you are liable to pay tax, it will be deducted at the appropriate rate on the increase to your OUSS pension. In addition, following each increase to your basic state retirement pension (if you are receiving it), your income tax PAYE code will be altered by HMRC. HM Inspector of Taxes will notify you and USS Ltd of your new code.

USS Ltd does not play any part in the calculation of your tax code, nor is it able to alter your tax code without written instruction from the Inspector of Taxes. If you disagree with, or have any query about, your tax code as notified to you, you should write to the tax office at the following address:

HM Inspector of Taxes
HMRC Merseyside
Regian House
James Street
Liverpool L75 1AA

quoting reference number 428/U168 and your national insurance number.



What level of increases can I expect?

As OUSS was contracted out of the State Second Pension Scheme (formerly SERPS) you and your employer will have paid a lower rate of national insurance contributions. For service before 6 April 1997 you are guaranteed a pension of broadly the same amount you would have received if you had participated in SERPS. This amount is known as the Guaranteed Minimum Pension (GMP).

Both your own pension and any pensions paid to your spouse/civil partner and/or dependent children will be increased in line with the Retail Prices Index subject to a minimum of 3% and a maximum of 5% per year compound (for service up to 31 July 2002) and in line with the Retail Prices Index subject to a maximum of 5% per year compound (for service accrued from 1 August 2002), on that part of the pension which exceeds the value of the Guaranteed Minimum Pension. The Guaranteed Minimum Pension element will increase by 3% per year compound.

Increases will be paid in April each year. If the pension has been paid for less than 12 months when the first increase is due, the increase to the part of the pension in excess of the Guaranteed Minimum Pension will be proportionate to the increase, which would have been paid, based on each complete month for the period in question.

Who pays increases on my basic state retirement pension and when?

The Department for Work and Pensions is responsible for paying increases on your basic state retirement pension. Such increases would be applied annually on the first payment date after 6 April.

The Department for Work and Pensions will write to you about your increase in February or March each year.



FURTHER ENQUIRIES

Should you have a question, which is not answered by this factsheet, please contact USS Ltd:

Address:

USS Ltd
Royal Liver Building
Liverpool
L3 1PY

Tel: 0151 227 4711

Tel: (local rate) 0845 068 1110

Fax: 0151 236 3173

Website: www.usshq.co.uk

Email: postbox@usshq.co.uk

Please quote your national insurance number and pensioner number (refer to payslip) in all correspondence.

A large print version of this factsheet is available. To obtain a copy please contact USS Ltd.

