



Guide for members

Final Salary section

About this guide

This guide summarises the benefits available under the Final Salary section of the Universities Superannuation Scheme (USS).

Further detailed information is available on the USS website at www.uss.co.uk

The website contains a variety of forms of communication including factsheets, a series of Pensions TV programmes and modelling tools.

The following symbols appear throughout this booklet to help you.



where this appears more information is available in the factsheets or booklets on the USS website at www.uss.co.uk



where this appears more information is available on the USS website at www.uss.co.uk




where this appears a modeller is available on the USS website at www.uss.co.uk



where this appears you may need to complete a form – please see the back of this booklet.

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○ What is the Final Salary section?

There are two sections of USS, the Final Salary section and the Career Revalued Benefits section. You will be a member of the Final Salary section if you have been a member of USS continuously since before 1 October 2011.

If you have a break in eligible employment of less than 30 months you will remain a member of the Final Salary section if you rejoin USS. If the break is 30 months or more, or you took a refund of your contributions or transferred out your benefits, you will join the Career Revalued Benefits section of USS and your final salary benefits will be 'deferred'. The only exception to this is if your last employer confirmed to you a reasonable expectation of re-employment within five years of leaving. If this is the case and they confirmed this to USS at the time, you may rejoin the Final Salary section.

Main benefits of the Final Salary section

There are a number of benefits that the Final Salary section offers, including a pension at retirement, life cover and incapacity benefits.

A regular income when you retire

Your pension is a regular source of income based on your years of membership in the scheme and linked to your 'best years earnings' and adjusted to allow for inflation. Also, benefits could be payable after your death.

Tax-free cash

In addition to a pension you will, as standard, receive three times your gross pension as tax-free cash, with the option to take more or less cash and receive a lower or higher pension (within limits).

Immediate life cover

USS provides a lump sum of three times your salary should you die in service at any time. Also, a pension would be payable straight away to your husband/wife/civil partner or, if you do not have one and at the discretion of the Universities Superannuation Scheme Ltd (the Trustee Company), to a person dependent on you or interdependent with you e.g. a partner. There would also be financial support for eligible children.

Please see the 'Death in service' and 'Pensions for dependants' factsheets at www.uss.co.uk



Incapacity cover

Subject to satisfying USS eligibility criteria, a pension for life and tax-free cash would be provided if you can't go on working because of partial or total incapacity as a result of long-term illness or injury.

Please see the 'Incapacity retirement' factsheet at www.uss.co.uk



Pension increases

Your pension increases in payment. It is linked to the rise in 'official pensions'. Official pensions are those for public sector schemes like the NHS, Teachers and Civil Service. USS will fully match increases to official pensions for benefits built up before 1 October 2011. For benefits built up after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5%, then USS will pay half of the difference up to a maximum increase of 10%. So, if official pensions increased by 15%, USS increases would be 10% on benefits built up after 30 September 2011.

A significant contribution from your employer

Your employer pays a monthly contribution currently equal to 16% of your salary while you currently pay 7.5%. You get tax relief on your contributions at the highest rate of income tax you pay and you also pay a lower rate of national insurance, reducing the real cost to you even more.

Pay more and get more

You can also choose to increase the value of your benefits by making regular Additional Voluntary Contributions (AVCs). On retirement, you can also boost your regular pension income by choosing to take a smaller cash sum; or you can take a larger cash sum and a smaller pension.

Early retirement

You can, depending on circumstances, retire and start receiving your pension before the scheme's normal pension age, subject to the USS early retirement terms. You can plan for an earlier retirement by making regular monthly or periodic extra payments called Additional Voluntary Contributions (AVCs).

Take your pension with you

Moving from one USS member institution to another is straightforward. If you move to a non-USS employer, you can transfer the cash value of your USS benefits into another scheme or a personal or stakeholder pension. Or, you can simply leave it in USS and receive the benefits when you retire.

About the Final Salary section

USS is a substantial benefit which is in addition to your salary and you receive tax relief on your contribution.

Membership

Eligibility for membership and joining arrangements vary between institutions in membership of USS but usually all employees of an appropriate grade can join the pension scheme; including part-timers and those on fixed-term, or regular/variable-time contracts.

Membership is voluntary but, because of the substantial benefit of the employer's contribution over and above your salary, your employer will assume that you will join, unless you state otherwise in writing before you start your employment. If you change your mind you can opt out without penalty within three months of joining. Some institutions do however require variable-time employees to opt for USS membership rather than joining automatically.

What happens if I change my mind?

You can opt out of the scheme at any point, even if you haven't left employment. You must give 28 days' notice and the same conditions apply as though you had left employment. You will need to contact your employer directly and they will make the necessary arrangements.

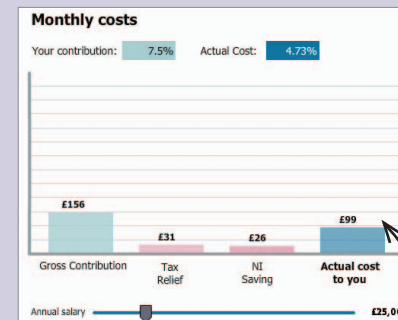
What will it cost me?

Employees currently pay 7.5% of their salary monthly if they join USS. This is deducted automatically by the employer and sent to USS. You will find that the cost to you is substantially less than 7.5% of your salary as you will receive tax relief on this contribution and you will pay less national insurance. At the same time, your employer currently makes a separate monthly contribution of 16% of your salary.

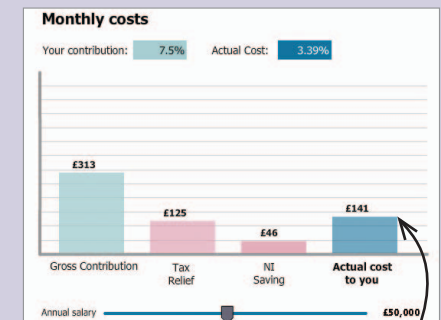
The two examples below show the real cost of contributing to the scheme and are taken from the 'Cost of contribution' modeller available on the USS website at www.uss.co.uk



So, based on a salary of £25,000 a year, the actual cost from take-home pay is 4.73% and for a higher-rate tax payer, on a salary of £50,000 a year the cost from take-home pay is only 3.39% of salary.



So, based on a salary of £25,000 a year the actual cost from take-home pay is 4.73%.



For a higher-rate tax payer, on a salary of £50,000 a year, the cost from take-home pay is only 3.39% of salary.

Your employer, together with all the other member institutions, is committed to making contributions that will ensure that the value of the scheme is sufficient to meet its future pension payment obligations.

However, the contribution rates for you and your employer are not fixed. The overall contribution rate is determined by the Trustee Company on the basis of independent actuarial advice. It reflects what is needed to ensure that USS meets members' benefit entitlements. Should there be a requirement to change rates in the future then such changes are shared at the ratio of 35:65 between members and employers, although the minimum member contribution will be 7.5%. Normally, contribution rates are reviewed at each actuarial valuation, which must occur at least every three years.

'You will find that the cost to you is substantially less than 7.5% of your salary as you will receive tax relief on this contribution and you will pay less national insurance.'

Salary sacrifice

Your employer may operate a salary sacrifice arrangement for normal pension contributions. This means your employer pays your contributions on your behalf.

○ What are the implications of 'salary sacrifice' arrangements for pension contributions?

Under current HM Revenue & Customs (HMRC) rules employers may operate 'salary sacrifice' arrangements to provide various benefits. The most common example of a salary sacrifice arrangement in the recent past has been childcare voucher schemes, however other benefits may be included and HMRC provide a full list of benefits that can be included under such an arrangement.

'Members who make contributions through salary sacrifice could make additional national insurance savings.'

○ What is salary sacrifice?

Members who make contributions through salary sacrifice could make additional national insurance savings. This is because their salary is reduced by the value of their pension contributions as the contributions are made by the institution on their behalf. This means they see an increase in their take-home pay.

Since 1 April 2007, the Trustee Company has allowed USS institutions to introduce salary sacrifice in respect of the ordinary USS contribution paid by members, normally 7.5% of salary. Your employer will be able to provide you with full details if they operate any salary sacrifice arrangements

Please note that a salary sacrifice arrangement will have no effect on the amount of your salary for pension purposes in any calculations and the employer must continue to pay the full value of pension contributions based on the salary before any sacrifice is made.

Please see the 'Salary sacrifice' factsheet at www.uss.co.uk



Calculating your retirement benefits

The pension you receive from the Final Salary section is based on your pensionable salary and pensionable service at the date you retire. You also receive tax-free cash on retirement.



You will receive a pension and tax-free cash at retirement based on the following formula:

Pension

$$\frac{1}{80} \times \text{pensionable salary} \times \text{each year and part-year of pensionable service}$$

Tax-free cash

$$3 \times \text{pension}$$

You can elect to give up some or all of your tax-free cash and receive a higher pension. Alternatively, you can take a higher amount of tax-free cash and receive a lower pension.

Please see the 'Retirement' factsheet at www.uss.co.uk



How does it work?

So, if you had 30 years' pensionable service in the Final Salary section and a pensionable salary at retirement of £45,000, your benefits would be:

$$1/80 \times 30 \text{ years} \times £45,000 = £16,875 \text{ pension a year}$$

Plus tax-free cash of:

$$3 \times £16,875 = £50,625$$

The amount you receive is based on what is called your 'pensionable service' and also your 'pensionable salary'. Your pensionable service is normally the number of years and days that you have worked with one or more USS employers in pensionable employment.

This may be adjusted to take into account a number of other factors including, for example, any periods of absence from employment (if contributions did not continue during those times), the effect of part-time employment, transfer payments from other pension schemes, periods when you chose not to join or opted out, and any Added Years AVCs you may have made to increase the value of your pension.

AVCs are explained on pages 16 and 17. Please also see the 'Additional Voluntary Contributions' factsheet at www.uss.co.uk



○ Pensionable service and pensionable salary

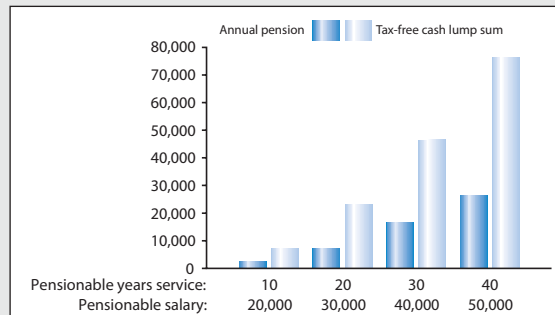
There is no limit on the amount of pensionable service you can build up in USS and you can choose to continue paying into the scheme past normal pension age.

Your pensionable salary is your highest average salary, worked out with 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 retirement and revalue each salary, except the last 12 months, according to the movement in price inflation.

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.

The graph below is based on a full-time employee who has unbroken service since joining USS until retirement at age 65. No account has been taken of AVCs or transfers from other schemes. Remember, as your salary increases so will your pension. You may also be able to achieve more than 40 years’ service.



○ What’s the difference if I’m part-time?

Your pensionable service will be reduced to its full-time equivalent, so if you were working 50% of normal hours you would earn half a year of pensionable service each year. Similarly we convert your salary to its full-time equivalent, so if your actual salary was £20,000 a year based on 50% hours, your full-time equivalent salary would be £40,000 a year and this is the salary we would use to work out your pension.

How does this work?

If you had 30 years’ membership in the scheme but worked at the rate of 50% for the last 10 years and your part-time pensionable salary on leaving was £20,000, your pension would be worked out as follows:

Pension from 20 years’ full-time employment:

$$20 \times 1/80 \times £40,000 = £10,000$$

Plus pension from 10 years’ part-time employment:

$$= (10 \times 50\%) \times 1/80 \times £40,000$$

$$= 5 \times 1/80 \times £40,000$$

$$= £2,500$$

Total pension

$$= £12,500 \text{ a year}$$

plus three times the value of this pension as tax-free cash

Please see the ‘Part-time members’ factsheet at www.uss.co.uk





Tax-free cash

Your tax-free cash is equal to three times your pension. The actual formula is 3/80ths of your salary for each year of pensionable service. It's far easier to work out your pension first and then simply multiply that figure by three.

You can elect, within limits, to take more tax-free cash and accept a lower pension, or take less (or no) tax-free cash and receive a higher pension.

HMRC sets the maximum tax-free cash you can receive as 25% of the 'capital value' of your pension. Sounds simple but it's not. You need to convert your annual pension into a capital value and add to that the amount of tax-free cash you are taking and any Prudential AVCs you have. You don't have to take the full 25% – the amount you choose to take depends on your personal circumstances.

The multiple used to work out the capital value of your pension is 20.

How does this work?

Pension: £16,875 x 20 = £337,500

+

Tax-free cash: £50,625

Capital value: £388,125

The maximum tax-free cash available is approximately:

25% x £388,125 = £97,031.25

In the example above, if you took the maximum tax-free cash of £97,031.25, your pension would then be reduced as you have 'cashed in' part of your annual pension to take the extra tax-free cash.



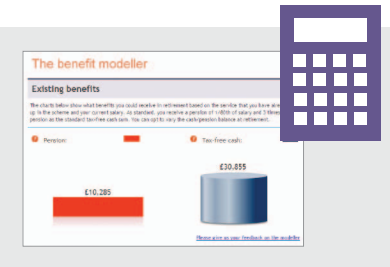
What pension increases can I expect to get?

USS pensions in payment (including pensions for spouses, civil partners, dependants and eligible children) and deferred pensions are reviewed each year and are linked to increases in 'official pensions', examples of which are public sector pensions such as those for teachers, the NHS or civil service employees.

The annual increases to official pensions, usually effective from each April, are linked to changes in inflation over the 12 months up to the previous September. In periods of negative inflation your pension will not be reduced but no increase will be applied.

Pension increases for service built up after 30 September 2011 are matched up to 5% a year, however, if official pensions increase by more than 5% then USS will match half of the difference up to a maximum increase of 10%. So, if official pensions increased by 15%, USS increases would be 10% in that year. Benefits built up before 1 October 2011 will increase fully in line with official pensions.

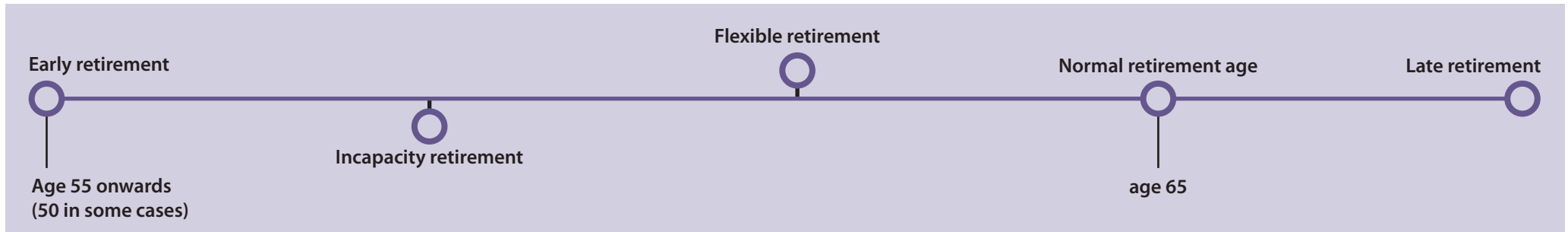
To find out your maximum tax-free cash figure use the future benefits view within the 'Benefit modeller' at www.uss.co.uk



Please see the 'Tax-free cash options at retirement' factsheet at www.uss.co.uk

When can I retire?

The normal pension age in USS is 65. However, you can retire before or after this age.



Normal retirement

The normal pension age (NPA) in USS is currently 65. You are automatically entitled to take your full pension at this age.

The NPA in USS will increase in the future, broadly in line with increases to the state pension age for men and women. The government has already proposed that the state pension age for men and women will increase to 66 from 6 April 2020. If and when state pension ages increase, the USS NPA will also increase. This means that if the state pension age increases and you choose to retire before the revised age, your benefits will be reduced. The same principle will apply to any future increase to state pension ages in the UK.

Early retirement

If you want to retire before the NPA, it may be possible under the scheme's early retirement terms.

The earliest you can retire is age 55, unless you have been a member continuously since 5 April 2006 and are made redundant, in which case you can retire from age 50.

If you retire before the scheme's NPA (excluding retirement due to ill-health), any pension you receive will be reduced because taking your benefits early means they will be paid for a longer period of time. There is one exemption to this for those members aged 55 or more on 1 October 2011, retiring from age 60 with their employer's consent.

Please see the 'Retirement' factsheet at www.uss.co.uk



Late retirement

You can choose to retire later than the NPA and elect to continue to pay into USS and build up further benefits. If you continue to pay into USS then your employer must also make their contribution. Any pension benefit built up at age 65 will be increased (currently by 0.5%) for each month later than age 65 that it is taken.

When the NPA increases in future this increase will apply two ways:

- benefits built up before April 2020* will receive the increase if you retire later than age 65; and
- benefits built up after April 2020* will receive the increase if you retire later than age 66.

The same principle will apply as the scheme's NPA increases in line with the state retirement age in the future.

*April 2020 used as an example, increase to state pension age not confirmed at time of printing.

Incapacity retirement

If you are unable to continue working because of partial or total incapacity as a result of long-term illness or injury, you may receive a pension for life and a tax-free cash sum.

The pension you receive will depend on whether you retire on the grounds of partial or total incapacity.

Under partial incapacity, you will become entitled to a non-enhanced incapacity pension and cash sum based upon your service to date of retirement.

Under total incapacity, an enhanced incapacity pension and a cash sum will be paid based on your potential service to age 65 and your current pensionable salary. However, a minimum of two years' active membership in USS and any comparable schemes in the employment of the same employer, normally continuous with the USS service, is required to qualify for incapacity benefits.

Special conditions apply to members who have a break in service within the last two years and those who were known to have a medical condition when they joined the scheme.

Please see the 'Incapacity retirement' factsheet at www.uss.co.uk



Flexible retirement

You could, with your employer's agreement, opt for flexible retirement. You can take up to 80% of your USS benefits as long as you agree to reduce your hours and salary by at least 20%. You are able to take your pension in two stages and continue working. Your pension will be reduced for early payment if you are drawing it before the scheme's normal pension age.

Please see the the 'Flexible retirement' factsheet at www.uss.co.uk



'The earliest you can retire is age 55, unless you have been a member continuously since 5 April 2006 and are made redundant, in which case you can retire from age 50!'

Protection in the event of your death

Your dependants are covered by a package of protection in the event that you die whilst paying in to the scheme.

○ Lump sum payment

Every member of the scheme is covered by life cover equal to three times their salary from day one of membership. This is paid tax free at the time of death to a beneficiary nominated by you.

Complete an 'Expression of Wish' form to let us know where that lump sum should be paid, available at the back of this booklet or on the USS website at www.uss.co.uk



You can decide who you wish to leave your lump sum payment to but the trustees must use their discretion in deciding where the lump sum is paid. Don't worry though, in the vast majority of cases the trustees will simply follow your wishes; there would need to be very good reasons for them to go against your wishes. Because it's paid at the discretion of the trustees it does mean that this lump sum will not form part of your estate for inheritance tax purposes and so is paid tax-free to your beneficiary.

○ Pensions for dependants

If you are married or part of a civil partnership, your spouse or partner is automatically entitled to receive a spouse's pension from USS.

The pension is 50% of the pension you would have received had you been able to continue in the scheme until age 65. So, if you were age 45 and working full-time when you died we would simply add 20 years' service to the pension calculation and work out your pension based on your current pensionable salary.

How does this work?

If you were 40 years old and had 10 years' full-time pensionable service at the date you died, the calculation for the spouse's or partner's pension would be 50% of your projected potential pension at age 65. This would be based on the 10 years' service you had already built up plus the 25 years' future service which you would have built up (i.e. a total of 35 years) and your pensionable salary at the point of death (£45,000).

$$1/80\text{th} \times £45,000 \times 35 = £19,687.50$$

$$£19,687.50 \times 50\% = £9,843.75 \text{ a year}$$

Therefore, your spouse/partner would receive an income for the rest of their life of £9,843.75 a year. This pension would increase each year in the same way as described on page 11.

If you are not married, or part of a registered civil partnership, then a pension may be payable to a 'financial dependant' at the discretion of the Trustee Company.

To nominate a financial dependant, please complete and return a 'Registration of financial dependant' form, available in this booklet or on the USS website at www.uss.co.uk



Children's pensions

In addition to a spouse's or dependant's pension, an income of up to 75% of your pension at age 65 could be payable to eligible children.

If there are two or more eligible children, they will share a total income of 75% of your potential pension at age 65. If there is only one eligible child, the value is half this figure.

Children's pensions are payable until age 18, or up to age 23 if they remain in full-time education or training, approved by USS.

If I have no dependants, what happens?

If you have no dependants there will be no spouse's or dependant's pension payable. In these circumstances, the scheme will pay a higher lump sum payment on your death. Or, if there are eligible children, their pensions would be increased by a third.

Increasing your benefits

The USS Final Salary section is a good start for saving towards your retirement. However, you may want to increase your benefits even further.

○ Can I boost my pension and plan for an earlier retirement?

The USS Final Salary section is a good start for saving towards retirement. However, for many it's difficult to build up a big enough pension; perhaps because of short service in the scheme or you simply want more than the standard benefits provide.

You can save extra contributions, which attract tax relief, to either buy extra service in USS (Added Years AVC) or use the extra contributions to invest in a Money Purchase AVC with Prudential.

○ Buying extra service (Added Years AVCs)

By using the Added Years AVC modeller at www.uss.co.uk you can get an idea of how much extra service you can buy if you increase your contributions.



The more service you have in USS, the greater your pension and tax-free cash benefits will be.

How does this work?

If, without added years, your pensionable service at retirement is 30 years then your pension would be:

$30 \times 1/80 \times \text{pensionable salary} = \text{pension}$
(plus three times this pension as tax-free cash)

But if you bought an extra five years' pensionable service the calculation would be:

$35 \times 1/80 \times \text{pensionable salary} = \text{pension}$
(plus three times this pension as tax-free cash)

The maximum contribution you can pay (in addition to your standard USS contribution) is 15% of your annual salary.



Money Purchase AVCs

Money Purchase AVCs are a different way to save extra towards buying a bigger pension at retirement or to provide you with a greater tax-free cash sum.

The Money Purchase AVC is an arrangement run for USS by Prudential, it is however a USS arrangement. You open an account with Prudential and choose which type of investment fund(s) you would like to invest in. You then choose what to do with your account at retirement – either buy a pension (on the open market or from USS) or, within limits, take it as tax-free cash.

Please see the 'Additional Voluntary Contributions' factsheet at www.uss.co.uk



'You can save extra contributions, which attract tax relief, to either buy extra service in USS (Added Years AVC) or use the extra contributions to invest in a Money Purchase AVC with Prudential.'

Transferring benefits

If you have benefits in another pension arrangement, you may be able to transfer them into USS.

○ Can I transfer benefits from another pension scheme into USS?

Yes you can. You can transfer benefits from any pension scheme that has been approved by HMRC into USS. Generally speaking, this includes most schemes offered by an employer or personal pensions. The only type of pension scheme you are not able to transfer into USS is called a Free-Standing AVC. You may also be able to transfer overseas pension arrangements into USS, although you should be aware that it is not possible to transfer state pension benefits.

There are special arrangements if you have benefits within a public sector pension arrangement. This arrangement is called the transfer club. To benefit you need to have started the transfer process within two years of joining USS. You should also be aware that some club schemes insist you do this within 12 months of joining another club scheme.

There is a transfer request form included available from the USS website or speak to the pensions contact at your employer.

Please see the 'Transfers to USS' factsheet at www.uss.co.uk



'You can transfer benefits from any pension scheme that has been approved by HMRC into USS. Generally speaking, this includes most schemes offered by an employer or personal pensions.'

What happens if I leave the scheme?

If you leave the scheme, either by ending employment or opting out of the scheme, depending on the amount of service you have upon leaving, there are various options available to you.

What are my options if I leave the scheme?

If you leave the scheme, either by ending employment or opting out of the scheme, depending on the amount of service you have upon leaving, there are various options available to you.

Less than two years' qualifying service

If you have less than two years' qualifying service, you may choose any one of the following:

- 1 a refund of your own contributions**
minus statutory deductions of tax and national insurance. If you have contributed to USS through 'salary sacrifice', you will not be entitled to a refund of contributions for the period of any sacrifice as these will have been paid for you by your employer as part of the arrangement.

Please note that 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.
- 2 a deferred pension and lump sum in USS**
based on the value of your own contributions to the scheme (if you have entered into a salary sacrifice arrangement, these contributions will include those which will have been paid on your behalf by your employer) payable from the date of your retirement.
- 3 a transfer of the value of your benefits**
calculated using your pensionable service and pensionable salary on leaving, to another approved pension arrangement.

Over two years' qualifying service

If you have over two years' service, you may choose either:

- 1 a deferred pension and lump sum in USS**
that is a pension payable on retirement of 1/80th of your final pensionable salary for each year of service, or
- 2 a transfer of the value of your deferred benefits**
calculated using your pensionable service and pensionable salary on leaving, to another approved pension arrangement.

If I rejoin, which section of USS will I be eligible for?

There are two sections of the scheme – the Final Salary section and Career Revalued Benefits section. If you leave the Final Salary section of the scheme and there has been a gap of 30 months or more in your eligible employment then you will join the Career Revalued Benefits section.

When we look at the gap, we are looking at the gap in your employment that makes you eligible for USS. So, as long as you have a contract of employment you remain eligible for the Final Salary section.

Otherwise you will rejoin the Final Salary section.

Are there any limits to how much I can save?

The Government sets some limits on the amount you can save towards your retirement.

Tax limits

All of your contributions, including any AVCs, are currently eligible for tax relief at the highest rate of tax that you pay. You can pay in up to 100% of your available gross pay in any one tax year into pension schemes and receive tax relief on these contributions. Retirement cash sums are paid tax free but tax is payable on all pensions, unless your tax inspector advises us otherwise.

HMRC sets a limit on the maximum amount of benefit you can build up in a single year, called the Annual Allowance. There is also a limit on the maximum value of your benefits at retirement, called the Lifetime Allowance. There is also a limit to the amount of tax-free cash you can take at retirement.

The Annual Allowance

The Annual Allowance is currently a capital value of £50,000 a year. The increase in value of your pension from 1 April to 31 March each year is calculated and converted to a capital value, using a multiple of 19. The value of your pension at the start of the year is increased in line with the rise in the Consumer Prices Index as part of the calculation. You then add to this any contributions you have paid into what's called a 'Money Purchase' scheme. Examples of this type of scheme are personal/stakeholder pensions, Free-Standing AVCs and the USS Money Purchase AVC, run by Prudential. If the capital value is over £50,000, then a tax charge is applied.

How does this work?

Annual pension at start of year: $(30 \times 1/80 \times £70,000) \times \text{CPI of } 3\% = £27,037.50$

Pension at end of year: $31 \times 1/80 \times £74,000 = £28,675$

+

USS Money Purchase AVCs of £5,000 a year

Increase in pension over the year is:
 $((£28,675 - £27,037.50) \times 19) + £5,000 = £36,112.50$

In this example, the amount is well below the Annual Allowance. If it was above the Annual Allowance you add the excess amount to the amount of income you actually pay tax on. The amount of pension saving:

- below your higher rate limit will be taxed at 20%
- over your higher rate limit will be taxed at 40%
- over your additional higher rate (50%) tax band will be taxed at 50%

There is a tool available on the USS website to help you estimate if you might be affected by the Annual Allowance. It is up to you to report to HMRC if you think you have exceeded the limit.

Your USS benefits are measured over what is called a 'pension input period'. For USS this is 1 April to 31 March in each year.

If you do exceed the limit in one year, you are able to use any amount of unused Annual Allowance from up to the previous three years, meaning in most cases this limit only really affects members with higher than average salaries and a lot of service in the scheme.

Use the 'Annual Allowance modeller' on the USS website at www.uss.co.uk to see if you are affected.



The Lifetime Allowance

The Lifetime Allowance is currently £1.8 million (reducing to £1.5 million from April 2012). To be affected by this you would need 40 years' service in USS and have a salary of £140,000 a year.

Please see the the 'Limits to tax relief and tax-free benefits' factsheet at www.uss.co.uk



Useful information

○ What happens if my marriage or civil partnership ends?

Your benefits under USS may be subject to a Court order requiring the Trustee Company to set aside part of your retirement and/or death benefits under USS for the benefit of your former spouse or civil partner. In 2000, legislation introduced a new method of dividing pension rights in the event of divorce or annulment of marriage, and it has been extended to cover the dissolution and annulment of civil partnerships. The options available on the breakdown of a marriage or civil partnership now include:

- **Offsetting** – valuing your pension rights along with other matrimonial assets – to enable a financial settlement to be achieved.
- **Earmarking** – part of your pension on retirement is ‘earmarked’ by a Court order to be paid to your former spouse or civil partner.
- **Pension sharing** – the Court requires the Trustee Company to value your pension rights at the time of divorce, annulment or dissolution, and to divide your pension providing you and your spouse or civil partner with a ‘clean break’.

The Trustee Company reserves the right to recover from you (and where permitted, your former spouse or civil partner), certain costs it incurs in relation to providing information in connection with an impending divorce, annulment or dissolution, or complying with a Court order.

Please contact the Trustee Company for further information.

○ What will I get from the state?

The benefits you get from USS are in addition to your state pension or any benefits you may also be entitled to from the state social security system. However a deduction may be made if you transferred from FSSU to USS between 1 April 1978 and 5 April 1980. For details on your state pension entitlements visit www.thepensionerservice.gov.uk

○ Can I assign my benefits?

You may not assign or charge your benefits under USS or use them as security for a loan.

○ How is pensionable service and salary calculated?

Service is the time you are in membership of the scheme in a USS pensionable post but excluding breaks and periods of suspension.

Salary is your annual total salary for pension purposes, taking into account any additional pensionable payments that may be included.

Information about USS

There are a number of other things you should know about USS and the communications you can expect to receive as a member of the scheme.

What's special about USS?

USS is the pension scheme provided by more than 390 UK universities and higher education and research institutions. It was established collectively by universities in 1975 and is one of the largest pension schemes in the country.

USS is a large centralised 'defined benefit' pension scheme which provides excellent benefits for your retirement and protection in the event of your death or incapacity.

Who manages the scheme?

Universities Superannuation Scheme Ltd (the Trustee Company) manages the scheme and has a board of directors comprising four appointed by Universities UK (UUK). Three directors are appointed by the University and College Union (UCU) of whom at least one must be a USS pensioner member. One director is appointed by the Funding Councils. A minimum of two and a maximum of four directors are co-opted directors, appointed by the Trustee Company with the prior approval of the joint negotiating committee. The Trustee Company is authorised and regulated by the Financial Services Authority.

There are:

- no shareholders (and, therefore, no dividends to pay out)
- no commission charges
- no set-up administration charges
- no exit fees to pay if you transfer your pension somewhere else

USS Annual Report and Accounts

Copies of the scheme's annual report and accounts are available from the Company Secretary at the Trustee Company or on the USS website. A summary of the annual report is sent to every member in a document known as the Members' Annual Report.

Amendment and termination

The Trustee Company may amend the rules of USS at any time. No such amendment can prejudice your accrued rights under USS and any amendment requires the consent of the Joint Negotiating Committee (JNC) and the Funding Councils.

If USS is discontinued the assets will be used for the benefit of the members and their dependants in accordance with the trust deed and rules.

USS is a funded defined benefit pension scheme, contributions being made by the members and participating employers. These contributions are invested to provide your future benefits. The funding position of the scheme is reviewed on a regular basis and contributions to the scheme may be increased if the scheme funding level was found to be not sufficient.

Your employer's ability to contribute is limited by its own funding which in many cases ultimately is provided by central government through the Funding Councils. Even in the event of your employer's insolvency, the benefits due for your past service are covered by the scheme as a whole, unless USS is being fully wound up.

Data Protection

The Data Protection Act 1998 regulates the way in which personal information can be held and processed. The Trustee Company has to comply with the Act. The Trustee Company holds information about each member for the purposes of administering USS and calculating the benefits due under it. The Trustee Company does not disclose this information except, for example, to scheme advisers in accordance with these purposes. The Trustee Company makes sure that the information held about you is kept securely and ensures that this is also the case if the data is passed on to someone else.

It is important that the information the Trustee Company holds about you is kept up to date. If you have any queries about the Data Protection Act you should contact the Data Protection Officer at USS.

Pensions TV

Another valuable source of information are the Pensions TV programmes covering a range of subjects.

Pensions TV can be accessed on the USS website at www.uss.co.uk



The small print

Government legislation requires that all pension schemes provide members with certain essential information. Much of this has already been mentioned in this booklet, but for absolute clarification, USS is a registered, contracted-out, defined benefit scheme. As a member of a contracted-out scheme you pay reduced national insurance contributions and do not accrue benefits in the state second pension (formerly SERPS). If you take a refund of your USS contributions, a proportion of this will be used to buy you back into the state second pension. Unless you have only been a member for three months or less, you need to give at least 28 days' notice in writing to your employer and the Trustee Company to opt out of the scheme.

Resolving a query or dispute with the Trustee Company

We aim to solve any problems quickly. If your employer cannot deal with the issue, get in touch with us at:

Universities Superannuation Scheme Ltd
Royal Liver Building
Liverpool
L3 1PY

Tel: 0151 227 4711
Tel: 0845 068 1110 (local rate call charge number)
Fax: 0151 236 3173

We also have a formal disputes procedure if a problem cannot be resolved to your satisfaction. This is a two stage process.

In the first instance your complaint should be addressed to:

Pensions Operations Manager
Universities Superannuation Scheme Ltd
Royal Liver Building
Liverpool
L3 1PY

In normal circumstances you will receive a full response within two months of your query.

If you are still dissatisfied with this response, you will be entitled to refer the matter to a special sitting of the Advisory Committee (augmented by two directors of the Trustee Company) within six months of receiving it. The second stage determination will be delivered to you, where possible, within two months.

It is hoped that any disputes that may arise can be resolved through the internal disputes resolution procedure. In addition, however, the USS Advisory Committee normally meets three times a year. It has six members, three appointed by the University and College Union and three appointed by Universities UK. The committee's function is to assist in the smooth and efficient running of USS. The committee advises the Trustee Company on powers and discretions which it can exercise under the rules of USS and considers any difficulties which arise in implementing or applying the rules and advises any action which may be appropriate. The committee provides a direct, accessible route to the Trustee Company and it welcomes any comments, suggestions, complaints or feedback from members, beneficiaries or institutions.

We strongly recommend that you first use the dispute procedure or direct your complaint to the Advisory Committee. However, if these methods do not provide a resolution of your dispute the following bodies are available to advise you:

The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries in connection with any pension query they may have, or any problem which remains unresolved. The address to write to is:

TPAS
11 Belgrave Road
London
SW1V 1RB

Tel: 0845 601 2923

www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred to in accordance with the Pensions Scheme Act 1993.

The address to write to is:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Tel: 0207 630 2200

www.pensions-ombudsman.org.uk

Useful contacts

There are a number of other organisations in the pensions industry who you may find useful.



Pension Tracing Service

This is a central register to help people trace details of pension schemes with which they may have lost contact over the years. USS details are with the registrar whose address is:

Pension Tracing Service
Tyneview Park
Whitley Road
Newcastle-upon-Tyne
NE98 1BA

Tel: 0845 600 2537



The Pensions Regulator

The Pensions Regulator is a body of which the role is to enforce the law on occupational pensions. Its address is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Tel: 0870 606 3636

www.thepensionsregulator.gov.uk



Pension Protection Fund

The Pension Protection Fund (PPF) is a statutory fund set up under the Pensions Act 2004 and run by the Board of the PPF, a statutory corporation established by that Act.

Its function is to pay compensation to members and pensioners of eligible defined benefit schemes (like USS) when the employers who contributed to them have gone out of business with insufficient assets to enable the schemes concerned to meet levels of pension benefit prescribed by law.

The PPF is financed by a compulsory levy on all eligible schemes, including USS.

Definitions



Dependant

is in relation to any member (including a former member) a person (whether or not a relative) who in the opinion of the Trustee Company is, whether wholly or in part, at the time of the member's death either financially dependent on the member or dependent on the member because of any physical or mental disability.



Eligible child

(born or unborn) who is your lawful or adopted child or your dependent natural child or stepchild or accepted by that person as a member of the family or is a dependent lawful, natural or legally adopted child of a surviving civil partner and is:

- under the age of 18, or
- over the age of 18, but
- unable, owing to ill-health, to be in full-time education or self-supporting, or
- over age 18 but under age 23 and in full-time education or training approved by the Trustee Company.



Normal pension age

for service after 1 October 2011 is age 65. It is limited to the state pension age and will increase as and when increases to the state pension age are made.



Pensionable service

is normally the number of years you have worked with one or more employer participating in USS.

There are special provisions, however, if you:

- hold more than one pensionable post with one or more such employer
- are seconded to another employer
- work part-time.



Qualifying service

is normally the calendar period you have been a member of the scheme counted at its full time rate regardless of any part-time service.

It will include any period of contributory absence and your calendar service in another pension in respect of which a transfer value has been paid to USS. It will not include any non-contributory absence.



Standard pension

is the pension payable at retirement before any adjustments have been made to take more or less tax-free cash in exchange for pension.

Definitions



State pension age

Historically state pension age has been 60 for women and 65 for men, however, they are changing:

- Between 2010 and 2018 women's retirement ages are increasing to 65
- From April 2020 retirement ages for men and women are proposed to increase to age 66 and further increases are likely.



Trustee Company

is Universities Superannuation Scheme Limited, the body responsible for administering the scheme and for settling any questions relating to the amounts of benefits.



Universities Superannuation Scheme Ltd

is the Trustee Company, the body responsible for administering the scheme and for settling any questions relating to the amount of benefits.

This booklet represents the interpretation of the current USS rules and actuarial advice received by Universities Superannuation Scheme 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.



Variable-time employee (VTE)

is an employee of an institution, none of whose eligible employment by that institution is remunerated either by a fixed annual salary or in such a way that it would be reasonably practical for a part-time service fraction to be determined.

Please see the 'Variable-time employees' factsheet at www.uss.co.uk



Please tear along
the perforated line

For USS use only: Joiner / EoW



Expression of Wish

Member details National insurance number Surname Initials Title

Institution details
Full name of employing institution

Beneficiary or Beneficiaries

Name	Relationship to member	Proportion %
Address		

Name	Relationship to member	Proportion %
Address		

Name	Relationship to member	Proportion %
Address		

Alternative wishes
If the above (or any of them) predecease me, I wish the Trustees Company to consider the following:

Data protection

Universities Superannuation Scheme Ltd (the Trustee Company) takes its obligations under the Data Protection Act 1998 seriously and has appropriate procedures in place to ensure that your rights under that Act are protected. The information provided on this form will be used by the Trustee Company for the purpose of administering your pension e.g. calculating the benefits due from USS. In the course of processing the information for this purpose, the Trustee Company may disclose your personal data to legal advisers it has appointed. By completing this form and submitting it to the Trustee Company you consent to the use of your personal data for the purposes set out above.

Declaration by member

I wish the persons named overleaf to be considered as possible recipients of any Lump sum from USS payable on my death at the discretion of the Trustee Company under the scheme's discretionary trusts (see below) and (where more than one person is named by me overleaf) in the proportions indicated. The person(s) named overleaf will also be considered as possible recipients of any fund value payable in respect of Money Purchase Additional Voluntary Contributions (MPAVC) paid under the scheme's rules, unless I have made a specific direction in writing in respect of my MPAVC, in which case I understand that the MPAVC fund payable is likely to be subject to inheritance tax.

I confirm that I understand that, under USS rules, the Trustee Company can take this expression of wish into account when deciding how to exercise its discretionary powers, but is not legally bound to do so. This supersedes any previous expression of wish signed by me.

Member's signature

Date

Witnessed by

Witnessed by (the witness must not be one of the named beneficiaries)

Name

Address

Witness's signature

Date

Definitions

DISCRETIONARY TRUSTS means, in relation to any sum directed to be held on such trusts in respect of a deceased individual, the trusts, powers and provisions set out below:

- (a) the Trustee Company may pay or apply the whole or any part of that sum to or for the benefit of all or any of the relatives, dependants, personal representatives or nominated beneficiaries of the deceased individual in such shares and proportions as the Trustee Company may decide;
 - (b) if the deceased leaves no relative or dependant, the Trustee Company may elect to retain all or any part of the sum in the fund;
 - (c) the Trustee Company may declare in respect of the sum or any part of it such separate trusts, terms and limitations (including for maintenance, education, advancement and accumulation of income during a minority) as the Trustee Company may by deed appoint without infringing the rule against perpetuities; the Trustee Company may appoint as trustees of such trusts any 2 or more persons or a trust corporation and may provide for the remuneration of any such trustee;
 - (d) to the extent that the Trustee Company does not exercise the powers under paragraphs (a) and (c) within 2 years of the death of the individual, the Trustee Company shall hold that sum outside the fund upon trust for the personal representatives of that individual or, if there are none, the statutory next of kin of that individual; and
 - (e) the Trustee Company may have regard to any document signed by the individual expressing wishes as to the disposal to or for the benefit of nominated beneficiaries of any sum to be held upon the discretionary trusts.
- DEPENDANT means, in relation to a person, an individual (whether or not a relative) who in the opinion of the Trustee Company is at the time of the death of that person wholly or partly either:

- (a) financially dependent on that person; or
- (b) dependent on that person because of any physical or mental disability.

RELATIVE means, in respect of a deceased member, former member or ex-spouse, any living individual who is:

- (a) the surviving spouse or civil partner;
- (b) a lawful, natural or adoptive parent or the surviving spouse or civil partner of such parent;
- (c) a lawful, natural or adoptive child, or remoter issue, of such parent, or the spouse or civil partner, or surviving spouse or civil partner, of any such person; or
- (d) a former spouse or civil partner

NOTE If you do not leave a spouse or civil partner but do have a dependant, you may wish to indicate to the Trustee Company your wishes relating to any pension which may become payable after your death. If so, you should complete a Dependant Registration form available from this pack or the USS website www.uss.co.uk

Please tear along
the perforated line

For USS use only: Guide/ Dep Reg



Registration of potential dependant

Please complete this form using BLOCK CAPITALS

Member details National insurance number Surname Initials Title

Institution details Full name of employing institution

Dependant details Dependant means in relation to any member (including former member) a person (whether or not a relative) who in the opinion of the Trustee Company is, whether wholly or in part, at the time of the member's death either financially dependent on the member or dependent on the member because of any physical or mental disability. You do not need to register a child on this form who would be eligible to receive an annuity in their own right under the rules of USS.

You do not need to complete this form in respect of your husband or wife.

Name Relationship to member

Nature of dependency

Address

Data protection Universities Superannuation Scheme Ltd (the Trustee Company) takes its obligations under the Data Protection Act 1998 seriously and has appropriate procedures in place to ensure that your rights under that Act are protected. The information provided on this form will be used by the Trustee Company for the purpose of administering your pension e.g. calculating the benefits due from USS. In the course of processing the information for this purpose, the Trustee Company may disclose your personal data to legal advisers it has appointed. By completing this form and submitting it to the Trustee Company you consent to the use of your personal data for the purposes set out above.

Declaration by member To Universities Superannuation Scheme Ltd:
Completion of this form does not commit the Trustee Company to pay a pension as that decision can only be made based on circumstances at the time of death.

Member's signature Date

Please sign this form and send it direct to Universities Superannuation Scheme Ltd, Royal Liver Building, Liverpool, L3 1PY

Transfer request form

Please complete this form using **BLOCK CAPITALS**

Note: If you have deferred benefits in another pension scheme you have the opportunity of investigating the possibility of transferring these benefits to the Universities Superannuation Scheme ("USS"). If you wish Universities Superannuation Scheme Ltd (the Trustee Company) to investigate a transfer on your behalf please complete this form, providing as much information as possible. This form enables you to investigate two transfers. If you wish to investigate more than two transfers, additional forms are available from our website www.uss.co.uk

Member details National insurance number Surname Initials Title

Institution details Full name of employing institution

Scheme details Employer's name Scheme name

Dates of service Reference number Surname known by in this scheme

Scheme address

Employer's name Scheme name

Dates of service Reference number Surname known by in this scheme

Scheme address

Data protection

The information obtained as a result of completing this form will be used by Universities Superannuation Scheme Ltd (the Trustee Company) for the purpose of administering your pension, e.g. calculating the benefits due to you from USS. In the course of processing the information for this purpose the Trustee Company may disclose your personal data to the personnel at your institution responsible for pension matters and the administrators of the scheme(s) you have identified on this form. By completing this form and submitting it to the Trustee Company you consent to the use of your personal data for the purposes set out above.

Declaration by member

To Universities Superannuation Scheme Ltd:

I hereby give authority to Universities Superannuation Scheme Ltd to obtain any information it requires in connection with my pension benefits from the administrators or trustees of any pension scheme of which I am or have been a member.


Member's signature


Date

Please sign this form and return to the pensions contact at your institution.

Contact us

If you have a question which is not answered by this booklet and if your employer is unable to help, please contact USS. Please quote your national insurance number in all correspondence.

 **Write:** Universities Superannuation Scheme Limited
Royal Liver Building
Liverpool
L3 1PY

 **Tel:** 0151 227 4711
Tel: (local rate) 0845 068 1110
Fax: 0151 236 3173

 **Web:** www.uss.co.uk

A large print version of this booklet and enclosed forms is available. To obtain a copy please contact USS.

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.



The mark of
responsible forestry