Allocation

Allocating part of your pension to your loved ones

You can arrange to give up part of the pension you'll get at retirement to provide an additional income to your loved ones when you die. This will be on top of the pension and lump sum they may be entitled to under your life cover.

You can only allocate part of your pension from the Retirement Income Builder. This will not affect the one-off, cash lump sum you'll get at retirement or the life cover you're entitled to while you're paying in to USS.

Any savings you have in the Investment Builder cannot be allocated, but your beneficiaries will still get some of these savings when you die. Visit what happens when you die and read the factsheet relevant to you for more on what happens to your Investment Builder savings.

Please note: You must be in good health to apply for allocation and will need a medical advisor to provide a medical certificate to demonstrate this.

We explain allocation in more detail below, including eligibility, some examples and how to apply.

Who are your loved ones?

By loved ones we mean your beneficiaries. This could be your spouse or civil partner, a dependant nominated by you (someone who, at the time of your death, is dependent on you financially or because they have a physical or mental disability) or certain eligible children (such as a child that cannot physically or mentally support themselves and is dependent on you), as long as this complies with tax legislation.

Who's eligible to make an allocation?

You'll be eligible if:

- you're over age 55 and are paying in to USS with five or more years' pensionable service. This includes any additional years of pensionable service you may have from transferring in before 2016
- you're no longer paying in to USS but are over age 55 and your benefits have not come into payment
- you're an ex-spouse or civil partner who's over age 55 and whose pension credit following divorce is not yet being paid.

You won't be eligible if:

- you have applied for ill health retirement – any allocation that was approved before you applied will still apply
- your membership is paused – for example if you're absent from work and you stop paying in
- you're away from work due to illness.

There are two types of allocation

Cancellable allocation	**Non-cancellable allocation**
If those you allocate your pension to die before you do, the allocation will be cancelled. Your pension will then be restored to the full amount. If you choose this option, the amount your beneficiary will get from your allocation will be lower.	If those you allocate your pension to die before you do, the reduction to your pension remains in place. If you choose this option, the amount your beneficiary will get from your allocation will be higher.

You can make more than one allocation to the same or different loved ones if you wish. But the total amount you allocate must not be more than the remaining pension left payable to you.

How much you can allocate

You can allocate as much of your pension as you like, as long as your own remaining pension is more than what you allocate, and more than the Guaranteed Minimum Pension required by law. Use our Benefit Illustrator to see what you could get at retirement and help you understand what you might want to give up.

There are some things you cannot allocate, like:

- any additional pension you may get from converting your one-off, tax-free cash lump sum into more pension
- any part of an ex-spouse/civil partner pension following divorce that could be converted into a tax-free cash lump sum.

When deciding how much to allocate, it's important to consider the pension you'll need for yourself at retirement and what's financially practical for you. Make sure you consider the age and requirements of your loved ones as well as your own financial circumstances.

What your loves ones will get

What they'll get will depend on a few things, like:

- how much you allocate to them
- the age and gender of you both
- your date of retirement
- whether you choose a cancellable or non-cancellable allocation.

They'll have to pay tax on the additional income you allocate them, just like a regular income. Remember that what they'll get from allocation will be in addition to the benefits they may be entitled to under your life cover. Visit what happens when you die for more information.

Please note: If your beneficiary is much younger than you, they may not get as much as if they're the same age as you, as it'll need to be paid out to them for much longer.

Examples

To help give you an idea of what the additional income might look like for your loved ones, we've included an example below. This is for illustrative purposes and is only to be used as a guide.

The factors we use to calculate the income will change on a case by case basis, sometimes significantly, depending on things like age, gender, date of retirement and date of allocation. To seek guidance or take financial advice on the options available to you, visit the guidance and financial advice page.

Remember that your pension will increase each year in line with our standard pension increases. Any allocated pension will also increase in the same way.

Example

Allocation to your spouse/civil partner at retirement

Let’s say you’re age 65 and retiring. You allocate £50 of your future pension each month to your spouse/civil partner who’s three years younger than you. When you die, they could get an additional pension of £150 per month on a cancellable basis (or £170 per month on a non-cancellable basis). These amounts could change, depending on your own circumstances.

After making this allocation, below are a few things that may happen.

Before you retire:

- If you die before your spouse/civil partner, they’ll receive a monthly income of £150 (or £170), in addition to any lump sum and spouse/civil partner’s pension which may be payable under life cover.
- If your spouse/civil partner dies before you and you’d chosen a cancellable allocation, there won’t be any reduction in your future pension. If you chose a non-cancellable allocation, your future pension will still be reduced by £50 each month.

Once you retire:

- If you die before your spouse/civil partner, your pension will have already been reduced by £50 per month. So, they’ll still get a monthly income of £150 (or £170), plus any lump sum and spouse/civil partner’s pension that may be payable under life cover.
- If your spouse/civil partner dies before you, your pension will already have been reduced by £50 per month. If you chose a cancellable allocation, your pension will be restored to the full amount. If you chose a non-cancellable allocation, your pension will continue at the reduced rate.

How to apply

Here’s what you’ll need to do to apply:

1. Complete the Allocation application form and return it to us via your employer, or to the address in the form if you’re no longer paying in to USS.
2. Arrange for your doctor or medical advisor to complete and sign the medical certificate in the form, to confirm you’re in good health. You’ll need to cover the cost of this yourself.

3. Provide evidence that any dependants you wish to make an allocation to are financially dependent on you or are dependent on you because they have a physical or mental disability (this is not needed for your spouse/civil partner).

If you apply and then change your mind before we accept your application, you can withdraw your application by writing to us at USS, 3rd floor, Royal Liver Building, Liverpool, L3 1PY.

If we reject your application on grounds that the medical certificate you've provided is not satisfactory, you can ask for a further medical report from the medical adviser selected by us. You'll need to cover the cost of this yourself. Your application will then be reconsidered, and we'll write to you with our decision.

Cancelling your allocation

If your beneficiaries no longer need the additional income, or you no longer wish to allocate part of your pension to them, you can apply to cancel either type of allocation. We will then need to agree to this. If you divorce and your allocation is not included in your divorce settlement, then you may be able to cancel the allocation to your ex-spouse/partner.

Please note: If we approve a cancellation, your future pension will be adjusted slightly to cover the risk already taken. No additional income will then be paid to your beneficiary.

There are a few instances where your allocation will be automatically cancelled.

We'll do this if:

- you chose a cancellable allocation and those you allocate your pension to die before you
- you leave USS and stop paying in but do not immediately retire (you can apply to make an allocation again after you've left, provided that your benefits have not started to be paid)
- you die or retire due to ill health within 12 months of making your application and your medical report was misleading or was based on misleading information supplied by you
- you request to transfer out your Retirement Income Builder benefits.

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 will prevail. 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. For a glossary of our terms please see our important terms page.