

Full commutation in the event of serious ill health

This factsheet explains the circumstances under which your benefits may be converted into a single lump sum payment if you suffer from serious ill health and have impaired life expectancy.

What is full commutation?

If you are intending to retire due to ill health and are suffering serious ill health, USS has a discretion to allow you to convert (commute) the pension that would be payable to you into a one-off lump sum. This lump sum will be added to the lump sum you would normally receive as part of your retirement benefits. Income tax is not usually payable on a serious ill health lump sum unless the value is in excess of the Lifetime Allowance set by HM Revenue & Customs.

Taking full commutation will mean that there won't be any further lump sum payable on your death. And there won't be any further benefits payable to you should the opinions of the medical advisers prove unduly pessimistic.

However, full commutation won't affect the pensions that would be payable on your death to your spouse, civil partner, dependants or eligible children – these will be payable in the normal way.

Who can apply?

Full commutation is only permitted where the trustee's medical advisers have given an opinion that life expectancy is less than 12 months.

How do I get a quote?

If you would like to find out how much the serious ill health lump sum could be, please ask for a quote via your employer, or contact us direct if you're a deferred member.

Is full commutation right for me?

We can't tell you whether full commutation is right for you, but we do strongly recommend that you seek financial advice from an appropriately qualified individual, to help you make the best decisions for your circumstances.

We suggest that the advice should consider all your USS benefit options and should take account of all your financial resources, not just your USS benefits. It should give consideration not only to your needs, but also the financial situation of your family and dependants, and should consider what would happen if the opinions expressed by the medical advisers should prove to be unduly pessimistic. We would recommend that the advice considers not only whether full commutation is the right option for you, but also how any lump sum should best be utilised and invested in the short and longer term.

Visit the Guidance and financial advice page on uss.co.uk for a range of resources to support you, along with information on sources of free, impartial guidance and how to find a regulated financial adviser.

The website also signposts you to other publicly available sources of information such as MoneyHelper. MoneyHelper brings three legacy consumer brands into one (Money Advice Service, The Pensions Advisory Service and Pension Wise). MoneyHelper is there to make your money and pension choices clearer. They offer impartial guidance that's backed by the government and free to use. MoneyHelper is available at moneyhelper.org.uk

How do I apply?

If you decide that full commutation is the right option for you, and believe that you satisfy the criteria, you will need to:

- Provide evidence as to life expectancy from your medical advisers and confirm that you want the trustee's medical advisers to give their opinion on your life expectancy. You may have done this already if you've begun your application for ill health retirement;
- Submit a completed *Application for full commutation of benefits* form. You can obtain a form from your institution, or direct from us if you are a deferred member.

On the application form you will be required to confirm that:

- You have read this factsheet;
- You satisfy the criteria for full commutation;
- You are aware of the alternatives to full commutation;
- You acknowledge that the trustee has recommended that you take financial advice;
- You have taken such financial advice as you consider appropriate;
- There will be suitable provision for ongoing financial support if the opinions expressed by the medical advisers should prove to be unduly pessimistic.

The application must be completed by you, or by your attorney. If the application is being made by your attorney, a certified copy of the power of attorney must be submitted with the application.

Will my application be successful?

Although your employer will usually submit the application, please note that the decision whether to grant full commutation lies with USS. Your institution can't make any commitment to full commutation of benefits until USS has determined your application.

USS is required to consider each application for full commutation on its own merits and can't, therefore, provide definitive guidance on whether an application will be successful. However, we will usually approve an application where the requirements set out in this factsheet are met.

What happens if I die before my application has been determined?

Whilst we will always progress an application for full commutation as promptly as possible, a reasonable period of time is required to enable us to compile the evidence, obtain an opinion from USS's medical advisers, and for USS to then determine the application.

In the unfortunate event of your death before USS's medical advisers have given an opinion on your life expectancy, it will not be possible for USS to approve an application for full commutation. However, provided the medical opinion has been received during your lifetime, USS will still be able to consider an application should you die before it has been determined. If approved, the lump sum would be payable to your estate.

Who do I contact if I have any queries?

We know that this is a very difficult time for you and your family and recognise that you need to arrange many things which can be complicated and difficult to sort out. It's our intention to make the commutation process as straightforward as possible, whilst at the same time ensuring that you have the information you need to make the decisions most appropriate for your circumstances. If you're an active member of USS, you should get in touch with your institution's pensions contact in the first instance. However, whether you're an active member or a deferred member, our staff are fully prepared to explain any part of the process which seems unclear and you can contact us and ask to speak to a member of the team. Lines are open 9am- 5pm, Monday to Friday.

Points to consider

- You can apply for full commutation regardless of age or marital status. However, it is only available if USS's medical advisers have given an opinion that you are expected to live for less than 12 months and you have not begun receiving a USS pension;
- If full commutation is granted, no lump sum will be payable on death;
- Spouse's or civil partner's pensions, and other eligible dependants' pensions, can't be commuted and will be paid in the normal way;
- We recommend that you take financial advice to help you decide whether full commutation is right for your circumstances;
- USS can't assume any responsibility in initiating or progressing an application for full commutation and it is for you, together with your employer's contact (where appropriate), to progress matters prior to making a formal application to USS;
- USS will always progress an application for full commutation as promptly as possible, but a reasonable period of time is required to enable us to compile the evidence, obtain an opinion from USS's medical advisers, and for USS to then determine the application.

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. 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 more information on our [important terms](#) page.