

Choosing your retirement date

Video transcript

We will have a look at the considerations for thinking about when you'll take your benefits. When thinking about when you'll take your benefits, the first thing to consider is what benefits you have. All members have Retirement Income Builder, defined benefits, in the scheme.

Some people may have added years or added pension additional voluntary contributions, or AVCs, that you set up before April 2016, that will add to your Retirement Income Builder benefits. You may also have Investment Builder savings which are defined contribution benefits.

Also, prior to the introduction of the Investment Builder in October 2016, you may have built up defined contribution savings with Prudential. These are referred to as Money Purchase AVCs or MPAVC. You'll need to check if you have savings still with Prudential.

Most Money Purchase AVC pots from Prudential's Unit-Linked Funds have already been switched into the Investment Builder, but if you have a With-Profits or Deposit Fund that you've not yet switched, your money will remain invested with Prudential unless you decide to move it. If this applies to you, USS will provide details of these savings and the options that you have to take them as part of your retirement quote. But further detail regarding Prudential savings can be found on the USS website.

If you're unsure whether you've got savings in the Investment Builder, you can find out by logging onto **My USS**. Any added years or added pension AVCs, and any Prudential Money Purchase AVCs that you have can be found on your Annual Member Statement on My USS. If you want to find those details on your Annual Member Statement, you'll find them in the snapshot section of your Annual Member Statement.

You can start to draw your Retirement Income Builder benefits or savings from your Investment Builder from the minimum pension age, which is set by the government. And the minimum pension age is currently aged 55, but it's rising to age 57 from April 2028.

Now, to take your benefits from your Retirement Income Builder, you need to retire from your job fully or take flexible retirement, which is where you reduce your hours and take a proportion of your Retirement Income Builder benefits whilst continuing to work. But there's more options when it comes to Investment Builder savings.

So you do not have to take your Investment Builder savings at the same time as your benefits from the Retirement Income Builder. And you do not have to retire from your job or even cut down your hours to take your Investment Builder savings. You can take your Investment Builder savings earlier than your Retirement Income Builder benefits, as long as you've reached the minimum pension age.

Or you might retire from your job and take your Retirement Income Builder benefits but leave your Investment Builder savings instead and then choose what to do with them later.

With regards to your Retirement Income Builder benefits, the various types of retirement in USS are normal, early, late, flexible and ill health retirement and it's important to consider the age at which you take your benefits as this is going to impact what level of benefits you receive now. Normal retirement is when you take your benefits at your Normal Pension Age (NPA), but some members prefer to take them at an earlier or later date.

Flexible retirement is where a member keeps working and just take some of their benefits. And finally, while it's not something any of us plan for, you may be able to take your USS benefits under ill health if this applies to you and you meet the criteria.

Under each of the options, you can still take an element of your benefits as a one-off tax-free lump sum in addition to your pension benefits payable. And if you have an Investment Builder pot, there's the option to take it at the same time as your Retirement Income Builder benefits all separately.

The Benefit Calculator on My USS can be used to get an idea of what these different options might look like for you and we'll have a look at each of these now.

Normal retirement is where benefits are taken at your Normal Pension Age. So the Normal Pension Age is currently aged 66 and it's for those still contributing to USS but will change in the future in line with increases to the State Pension age. The Normal Pension Age is the age at which your Retirement Income Builder benefits become payable in full.

You'll get the benefits you've built up to that date and your pension will become payable from your retirement date for life, alongside one-off tax-free cash lump sum. Now, just to note, the Normal Pension Age for USS changed in October 2020 from age 65 to age 66, in line with the government's increase in the State Pension age at that time. But this only applies to benefits building up after October 2020.

So if you were to take your benefits at the Normal Pension Age of 66, you might receive an increase on some elements of your pension benefit to reflect the earlier Normal Pension Age that was in place when you built up these benefits. Now, although some of your benefits may have been built up when the Normal Pension Age was lower than age 66, you can not take those benefits early and leave your age 66 benefits until a later date.

You do not have to wait until your Normal Pension Age to take your benefits though. The earliest age that HMRC usually lets people take their pension benefits from is from the minimum pension age, and this is currently age 55, but it does change to age 57 from April 2028. Now you can only start taking your pension in full though, as long as you retire completely from your job with the USS employer.

But if you do start taking your pension early, then your Retirement Income Builder benefits might be reduced for early payment as they'll be paid for a longer period than expected. As I've just mentioned with normal retirement, before the Normal Pension Age changed to 66 in October 2020, you might have built up some benefits that have a Normal Pension Age of 65 and some people might have built up benefits with the retirement age that is lower than this.

On early retirement, the calculation takes all of this into account along with the age that you're taking your benefits and different reductions will apply to Normal Pension Ages applying to different parts of your benefits. The factors used in the calculations are reviewed and updated as appropriate by the trustee, based on Scheme Actuary advice, so are subject to change from time to time.

Now, whereas some members want to retire early as possible, others would rather delay retirement. So you do not always have to retire as soon as you reach age 66. Taking benefits beyond Normal Pension Age is referred to as late retirement, and you generally can only do this as long as you're still working in eligible employment for a USS employer.

You can only delay taking your Retirement Income Builder benefits up to age 75 if you still pay in to USS. This does not apply to any Investment Builder savings you have though. Once you decide it is time to retire, in this case your benefits might be increased as they're going to be paid to you from a later date.

So this time if you've built up benefits with different Normal Pension Ages, then the increase applied is likely to be different for each part. Now, if you're no longer paying into the scheme, it's not possible to take late retirement unless you're still working in a USS eligible role. If you have not started to take your benefits yet, annual increases will be applied until you access them. If you do not take your leaver benefits earlier, they'll be paid from your Normal Pension Age.

The options we've discussed so far are based on you fully retiring from your job. However, it is possible to take some benefits and continue working if you'd like more flexibility over your retirement plans. So as you get closer to retiring, you might decide that you want to reduce your working hours and take some of your USS pension to supplement your earnings instead.

Now, this option is available to members who are still contributing to USS and is known as flexible retirement. As a flexibly retired member of USS, you're continuing to work and build up benefits, but on a reduced salary. At the same time, you're receiving a proportion of the USS pension you'd already built up in the Retirement Income Builder.

As long as you reduce your hours and salary by at least 20% on a long term basis, you can take up to 80% of your USS Retirement Income Builder benefits via flexible retirement. But the reduction in hours and salary does not have to match the percentage of the pension that you're taking.

There are some rules to follow for flexible retirement, including reducing your working hours and salary by at least 20%, and these hours should not increase in the following 12 month period. A maximum of two flexes can be taken, totalling no more than 80% of your pension benefits.

After you've taken two flexes or the full 80% of your Retirement Income Builder benefits, your next step will be full retirement with all your remaining Retirement Income Builder benefits and you'll need to retire from your USS eligible role in full.

You must give USS at least two months notice of the date you're flexible retiring from and this of course needs to be agreed with your employer due to the change in working hours and salary. So if this is something that you're interested in, do make sure you allow enough time to agree the terms of the flexible retirement.

Now, having to stop working completely because of an illness or an injury is not a nice thought, but unfortunately it could happen and you might be eligible to retire early on an ill health basis with USS. If you're seriously ill or unable to work, you might qualify for ill health early retirement, if you meet that criteria, but you must have been building up a pension with USS for at least two years.

If you're still paying in to USS, there are three different types of ill health retirement, and what you'll get will depend on how much you're able to work. There's partial ill health retirement, which is if you cannot do your job or any other similar job, whether or not that job is available, for the long term due to ill health, but you could do another job. With partial ill health retirement, you'll get the benefits you've built up to date, but they will not be reduced for early payment.

Total ill health retirement is if you cannot do your job or any job other than one that would pay a small fraction of your salary for the long term due to that ill health. With total ill health retirement, you'll get enhanced benefits, which means they're projected as if you'd continued paying in until age 65.

Then there's serious ill health, which is if you're suffering from a serious health condition and only have a limited time to live. And in this case, USS might be able to convert or commute your pension and pay all of your benefits as a lump sum.

If you're no longer paying in to USS, your options are a little different and there's more information on the USS website on this.