



Choosing your retirement date

Video transcript

We're going to have a look at retirement decisions, starting with choosing your retirement or when you'll take your retirement benefits. When thinking about when you'll take your benefits, the first thing to consider is what benefits you have. And all members have Retirement Income Builder, or defined benefits (DB) in the scheme. And 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 (DC) 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 MPAVCS, and you'll need to check if you have savings still with Prudential.

Most MPAVC pots from Prudential's Unit Link 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. Further detail regarding Prudential savings can be found on the USS website.

If you're unsure whether you have any savings in the Investment Builder, you can find out by logging onto My USS. And any added years or added pension AVC's and any Prudential Money Purchase AVC's that you have can be found on your Annual Member Statement on My USS. And you'll find the detail in the snapshot section of your Annual Member Statement [here](#).

Your 2026 Annual Member Statement will be available in the autumn and you'll receive an email from USS to let you know when it's in My USS. And just to note, Annual Member Statements are only issued to members still contributing to USS, so members who are no longer contributing can find details of the benefits in My USS and on their leaver statement. If you do require a copy of your leaver statement, you can get contact details for USS to ask for a leaver statement on the USS website.

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

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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 are more options when it comes to Investment Builder savings.

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 them. You can take your Investment Builder savings earlier than your Retirement Income Builder, 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 invested. You can choose what to do with them then later.

Just focusing on the Retirement Income Builder firstly. The various types of retirement in USS are normal, early, late, flexible and ill health retirement. It is important to consider the age at which you take your benefits as this will impact what level of benefits you receive.

Normal retirement is when you take your benefits at your Normal Pension Age, but some members prefer to take them at an earlier or later date. Flexible retirement is where a member keeps working and just takes some of their benefits. And finally, whilst it's not something any of us can plan for, you may be able to take your USS benefits under ill health if that applies to you and you meet the criteria.

Under each of these options, you can still take an element of your benefits as a one-off tax-free cash lump sum in addition to the 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 or separately. The Benefit Calculator on My USS can be used to get an idea of what these different options might look like for you.

Firstly, normal retirement is where benefits are taken at your Normal Pension Age (NPA). The Normal Pension Age is currently aged 66 for those contributing to USS, but it will change in the future in line with increases to State Pension age. It is the age at which your Retirement Income Builder benefits become payable in full.

If you left the scheme before October 2020, though, your Normal Pension Age may be lower than age 66. The Benefit Calculator will default to your Normal Pension Age and for members who are no longer contributing, they must take their Retirement Income Builder benefits by this age. So, normal retirement means that you'll get the benefits that you've built up at that date and your pension will become payable from your retirement date for life, alongside a one-off tax-free cash lump sum.

Just to note, the Normal Pension Age for USS changed in October 2020 from 65 to 66 in line with the governments increase in the State Pension age, 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 may receive an increase on some elements of your pension benefit to reflect the Normal Pension Age that was in place when you built up those benefits.

Although some of your benefits may have been built up when the Normal Pension Age was lower than age 66, you cannot take those benefits early and then 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, and the earliest age that HMRC



usually lets people take their pension benefits in good health is from the minimum pension age, and this is currently age 55, but it changes to age 57 from April 2028.

Note that you can only start taking your pension in full though, as long as you retire completely from your job with a USS employer.

If you do start taking your pension early, then your Retirement Income Builder benefits may be reduced for early payment because it's expected that they'll be paid for a longer period. As I mentioned with normal retirement, before the Normal Pension Age change to age 66 in October 2020, you may have built up some benefits that have a Normal Pension Age of 65, and some people may have even built up benefits with retirement age that is lower than this. On early retirement, the calculation takes all this into account along with the age at which you're taking your benefits and different reductions will apply to the Normal Pension Ages applying to the different parts of your benefits.

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. Whereas some members want to retire as early as possible, others would rather delay retirement. And 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, but you can generally only do this as long as you're still working in eligible employment for a USS employer, and 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 benefits that you have though.

Once you do decide it's time to retire, your benefits may be increased as they'll be paid to you from a later age than expected. 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 again. 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.

And 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 I've discussed so far are based on you fully retiring from your job. However, if you're still contributing to USS, it is possible to take some benefits and continue working if you'd like more flexibility over your retirement plans. 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.

And this option's 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 though 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%. And after you've taken two flexes or the full 80%, 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 flexibly retiring from. And this needs to be agreed with your employer due to the change in working hours and salaries. So if this is something that you're interested in, do make sure you allow enough time to agree the terms of your flexible retirement.

Having to stop working completely because of an illness or injury is not a nice thought, but unfortunately it could happen. And in that case, you may be eligible to retire on an ill health basis with USS. If you're seriously ill or no longer able to work, you may qualify for ill health early retirement if you meet the criteria, but you must have been building a pension with USS for at least two years to qualify. If you're still paying in to USS, there are 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 similar job, whether or not it's available, for the long term due to ill health, but you could do another job. With partial ill health retirement, you get the benefits that you've built up to date, but they would not be reduced for early payment. Total ill health is if you cannot do your job or any job that other than one that would pay only a small fraction of the salary for the long term, due to your ill health. With total ill health, you'll get enhanced benefits, which means they're projected as if you've continued in service 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 may be able to convert (or commute) your pension and pay all 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.