



Retirement options. What might your benefits look like?

Video transcript

We're going to look at your options in terms of pension and cash amounts in this section. This is important because in order to be able to prepare for your retirement, you'll need to understand how you can take your Retirement Income Builder and Investment Builder benefits. So in other words, what your benefits might look like.

Before getting into the retirement options, I'm going to recap a few things. All members have Retirement Income Builder, or defined benefits, in the scheme. Some people might also 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 might also have Investment Builder savings, which are defined contribution benefits. Also, prior to the introduction of the Investment Builder in October 2016, you might have built up defined contribution savings with Prudential.

To help with your planning, you can use the Benefit Calculator to get a projection of what your benefits and options might look like at your chosen retirement age. This includes looking at all the options that we'll run through next. When you get closer to your chosen retirement age, USS will provide you with a quote of your benefits before your retirement date and will set out your options.

There's a few different ways you can access your USS benefits, with more options if you also have Investment Builder savings. And we'll look at, today, taking the maximum tax-free cash from USS and taking the maximum pension from USS. Both these are options whether you have Investment Builder savings or not.

But having Investment Builder savings means you can access these at the same time as taking your Retirement Income Builder benefits, or earlier, or later. And we'll look at the different options available for accessing these benefits as well.



To explain the retirement options, I'm going to go through an example of someone who's been a member of USS for some years and has Retirement Income Builder benefits and Investment Builder savings at retirement. Now, our example member here has a Retirement Income Builder annual pension of £15,000 a year. Their standard tax-free cash lump sum is therefore £45,000, which is three times the annual pension. And our example member also has an Investment Builder pot of £20,000.

Based on your own benefits, there's a maximum level of tax-free cash that you're able to take. Under the HMRC tax rules, you can take 1/4 of the overall HMRC value of your benefits as tax-free cash. For those of you that want to know how to work out the overall HMRC value of your benefits, it's just 20 times your pension plus any cash that you're entitled to. And the amount therefore depends on your Retirement Income Builder benefits and your Investment Builder pot.

USS will work out what the maximum tax-free cash amount is for you at your retirement date, or if you want an idea of what your pension and your Investment Builder pot might be at retirement before you're ready to request a quote from USS, you can go on to the Benefit Calculator in **My USS** for an estimate. And it will estimate what your maximum tax-free cash amount might be based on your benefits.

The maximum tax-free cash will generally be some amount higher than the standard tax-free cash amount of three times the pension from the Retirement Income Builder. In this particular example, looking at the member's Retirement Income Builder and Investment Builder benefits, the maximum tax-free cash amount for this member, given their overall benefit, will be just over £90,000.

The calculation for the maximum lump sum you can take depends on the value of your benefits that you're taking. So in this example it will be calculated using the value of this member's Retirement Income Builder plus their total Investment Builder savings. And as mentioned, you can use the Benefit Calculator to estimate what this will be for you, based on the value of your benefits.

If you fully retire and take all of your benefits from your Retirement Income Builder and Investment Builder at the same time, USS allows you to combine your Retirement Income Builder and your Investment Builder benefits together, where possible, to be able to use your Investment Builder pot as tax-free cash, up to the maximum tax-free cash allowed under HMRC rules, given your benefits.

So for our example member, we'll move the Investment Builder savings across to be combined with the Retirement Income Builder tax-free cash. Our member will be able to use their entire £20,000 Investment Builder pot as tax-free cash. This is because when combining with the standard amount of tax-free cash from the Retirement Income Builder, plus that Investment Builder pot, it's still within this member's tax-free cash maximum amount available for this member.

Combining your Investment Builder pot and Retirement Income Builder cash might not always be within the maximum allowed under HMRC. It depends on your level of benefits. So you might not be able to take all of your Investment Builder tax-free, it depends on the overall level of your benefits.

But just going back to this member though, they've decided to combine their Investment Builder pot with the Retirement Income Builder benefits and so they're now up to £65,000 in tax-free cash. But there's still



room to take even more tax-free cash though, because the member's still below their maximum amount in this case.

So they can, if they wish, take even more tax-free cash, but if they do so they will need to exchange some of their pension for cash and take less annual pension and this is called commutation. The rate which pension is exchanged for cash depends on a number of things such as your age at retirement and the factors in place at the time. The factors reviewed and updated, as appropriate, by the trustee based on scheme actuary advice, so are subject to change from time to time.

So if this member takes more tax-free cash they will have a smaller annual pension in exchange. So in this example let's assume £90,000 is their maximum tax-free cash and the member's going to take the full £90,000 as a one-off tax-free cash. So their pension has to come down in exchange and their annual pension reduces to £13,750 a year, rather than the £15,000 standard amount.

Just going back to the standard Retirement Income Builder and Investment Builder amounts for a moment. It's also possible instead to exchange some or all of your Retirement Income Builder tax-free cash for extra annual pension. I'm going to show you how that works with this example. You'll see that the member could exchange their tax-free cash from the Retirement Income Builder to provide a higher annual pension.

So rather than £15,000 a year, they can take £17,250 a year. In this case though, the member would still be able to use their Investment Builder pot as tax-free cash lump sum.

And just to note, in most circumstances, it's not possible to buy extra pension in the Retirement Income Builder with your Investment Builder pot. It is available to use your defined contribution pot as extra annual pension, if you've got Money Purchase AVCs (MPAVCs) with Prudential, or if you've switched any Prudential AVCs into the Investment Builder, you can use those to provide an additional pension. Your USS retirement quote will include this if it applies to you.

If you have Investment Builder savings though that you can not convert into additional pension and you want to, there are additional ways that you can use your Investment Builder savings outside of USS.

Now just going back to your standard benefits again, just to note that when taking your Retirement Income Builder benefits, you can not take your pension and one-off tax-free lump sums at different times. However, if you do not want to, you do not have to take all of your Investment Builder pot at the same time as you take your Retirement Income Builder benefits.

Now, you can take any Investment Builder savings separately from your Retirement Income Builder. This might be because you want to access your Investment Builder savings before you retire, or it might be because you did not take some of your Investment Builder savings when you took your Retirement Income Builder benefits.

But if you have savings in the Investment Builder and you want to take them separately to your Retirement Income Builder benefits, you have the option to take cash payments. These cash payments are known as **uncrystallized funds pension lump sums**, or **UFPLS** for short.

If you're taking cash payments from your Investment Builder pot separately from your Retirement Income Builder benefits in this way, you would only be able to take a quarter of each cash payment tax-free. The Retirement options. What might your benefits look like? — September 2025



remaining 3/4 would be taxed as income. You can take up to four cash payments a year from your Investment Builder savings. Each payment must be at least £2,000, unless it's your last payment and you're taking the whole pot and there's less than £2,000 left.

To take cash payments from your Investment Builder separately from your Retirement Income Builder benefits like this, you need to be at or above the minimum retirement age, which is currently age 55. Alternatively, you could choose to leave some or all of your Investment Builder pot invested in USS. You can take cash payments at a later date, or leave some or all of it to be paid to your loved ones when you die.

And I'll just mention here that in the Autumn 2024 budget, the government announced that from 6 April 2027, most unused pension funds and death benefits will form part of a person's estate for inheritance tax purposes. So if you are considering leaving some of your benefits to your loved ones, or you think you might be impacted by those changes announced, we recommend that you seek independent financial advice.

Or you can choose to transfer all of your Investment Builder pot to another pension arrangement, even if you're still contributing to USS. Just for confirmation though, you can not transfer your Retirement Income Builder benefits out of USS if you're still contributing or you've passed your Normal Pension Age (NPA). Only your Investment Builder pot can be transferred in that case, if you're still contributing or you've passed your Normal Pension Age.

Now, if you transfer your Investment Builder pot to another arrangement, in that arrangement you might be able to take cash payments like you can from USS, or you might be able to access options that are not directly available through USS. One of those options is what's called **drawdown**, which is where you take regular or occasional income payments from your pot until it's used up.

Or you might want to use your pot to buy a guaranteed income for life, or a pension basically, in the form of an annuity from a specialist provider.

One thing you do need to be aware of though, is if you take out any cash payments from your Investment Builder pot or access your pot flexibly as income through drawdown, you might limit the amount that you can contribute to another defined contribution scheme in the future, such as the Investment Builder. But more detail on that can be found on the USS website.