



How you built up a USS pension

Video transcript

Here we'll go through an overview of how you may have built up your USS pension when you were contributing to USS.

Firstly, we'll verify the language that we're using in terms of an active member and a leaver. An active member is someone who is currently employed at a USS institution, and the employer and the member are actively contributing to USS and building up new benefits. A leaver is someone who's been a member of USS and is no longer contributing to USS, or has left the scheme either by leaving USS through their own personal choice or having left their employer. As a leaver, you may have benefits with USS that you've built up in the past that are still with USS and they're called deferred benefits.

If you've been a member of USS and then left, and then either taken a refund of contributions or already transferred out all of your benefits out of USS to another pension arrangement, you would not have any benefits remaining with USS.

Just to note that this webinar is aimed at those who are no longer contributing to USS but have deferred benefits with USS.

In terms of the pension benefits in USS, there's two main types of pension benefits in the UK. Defined benefit (DB) and defined contribution (DC). And USS has both these types of benefits.

Defined benefit means that your benefits on retirement are based on a predetermined formula. And that's based on a combination of earnings, the time that you're in a scheme and a pension build up rate. The pension you build up is not directly connected to how much you or your employer's paid in, what matters is your formula. The defined benefit part of USS is now called the Retirement Income Builder. But before April 2016, your defined benefits would have either been in the Final Salary section or the Career Revalued Benefits (CRB) section of USS.

There's also a defined contribution part of USS which is called the Investment Builder. In a defined contribution arrangement, any money paid in by you or your employer goes into your savings pot. Then at retirement your benefit is based on the value of your pot of money, which can go up or down, and is completely dependent on how much has been paid into your pot and how it's grown over the years.



The Investment Builder was introduced into USS from October 2016. Before this, defined contribution benefits were only available if you paid additional voluntary contributions to Prudential. The way it works at the moment in USS, everyone builds up Retirement Income Builder benefits, or defined benefits, on their salary up to the salary threshold. And this provides a guaranteed income for life on retirement. In addition, USS also provides a one-off tax-free lump sum on retirement of three times the pension, up to certain limits. And the salary threshold from 1 April 2025 is £71,484.

The rate at which pension builds up in USS has changed over the years but is currently 1/75th of your salary each year. Depending on when you joined USS, and when you ceased paying contributions towards USS, there can be some differences in both how your benefits built up and also what your Normal Pension Age (NPA) is. The Normal Pension Age is the age that you can take your benefits unreduced. The difference in how you built up your benefits includes the salary used to calculate these as well as the build up rate.

In addition to your Retirement Income Builder benefits, members can build up savings in the Investment Builder, which is the defined contribution part of USS. And that's if you earned above the salary threshold, if you chose to make additional contributions or transferred in a pension from elsewhere. On leaving USS, your deferred benefits will have been calculated in accordance with the rules in force at the time.

The Retirement Income Builder was introduced from 1 April 2016 and members who were paying in to USS before 1 April 2016 built up defined benefits under a different name. And under those benefits there was no salary threshold. For members who joined prior to 1 April 2011, starting with those members, you would have been in the Final Salary section which meant that your benefits on leaving were based on your final pensionable salary at leaving, or at 31 March 2016 if earlier. Confirmation of your final pensionable salary will be shown on your Final Salary statement in My USS, in the My documents area. The build up rate in the Final Salary section was 1/80th of your final pensionable salary.

Now for members who joined on or after 1 April 2011, you would have been in the Career Revalued Benefits, or CRB section of USS, which meant your benefits on leaving were based on the salaries that you earned each year, or your career average salary, which is similar to how the Retirement Income Builder works now. The build up in the Career Revalued Benefits, or CRB section, was also an 80th of your salary each year.

Some members may have also paid additional contributions to buy additional years service in the Final Salary section or to buy additional pension in the CRB section. Also prior to the introduction of the Investment builder in October 2016, you may have built up defined contribution savings with Prudential through paying additional contributions. These are referred to as Money Purchase AVCs or MPAVCs.

You'll need to check if you have savings still with Prudential if you left USS after the after October 2016, as most Money Purchase AVC pots from Prudential's Unit-Linked Funds were switched into the Investment Builder, but not With-Profits Funds or Deposit Funds. 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. And further detail regarding the Prudential savings can be found on the USS website. And with USS, you'll be able to view your Retirement Income Builder benefits and any Investment Builder savings as well as any benefits you



may have built up before April 2016 in My USS, which is your secure online portal. You can access My USS from the USS website at uss.co.uk on any device. So your laptop, your tablet or your smartphone.

And just to note, if you have Final Salary or CRB benefits from before April 2016 and any added years or added pension AVCs, My USS will include all your defined benefits all together under the heading of Retirement Income Builder benefits, and that will be found in the summary on My USS. If you select Retirement Income Builder on the left here, you can see how your pension is split between Final Salary or CRB and the Retirement Income Builder.