



How you built up a USS pension

Video transcript

Here we're going to go through an overview of how you may have built up your USS pension when contributing to USS. So firstly, we'll verify the language 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 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 built up in the past that are still with USS — called deferred benefits. But if you've been a member of USS and then left and then either taken a refund of contributions or already transferred all of your benefits out of USS to another pension arrangement, you would not have any benefits remaining with USS.

And 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 are two main types of pension benefits in the UK, defined benefit (DB) and defined contribution (DC). USS has both these types of benefits.

Defined benefit (DB) means that your benefits on retirement are based on a predetermined formula based on a combination of earnings, the time that you are in the scheme, and a pension build up rate. And the pension that you build up is not directly connected to how much you or your employer has 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. There's also a defined contribution (DC) 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 pot. And 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. But before this, defined contribution benefits were only available if you paid additional voluntary contributions to Prudential.

In USS everyone currently builds up Retirement Income Builder benefits, or defined benefits, on their salary up to the salary threshold which provides a guaranteed income for life on retirement. And in addition, USS also provides a one-off, tax-free cash lump sum on retirement of three times that pension, up to certain limits.

The salary threshold from 1 April 2026 is £74,208. The rate at which the pension builds up in USS has changed over the years, but it's currently 1/75th of your salary each year. Depending on when you joined USS and when you ceased contributing towards USS, there can be some difference as to both how your benefits built up and also what your Normal Pension Age (NPA) is.

And your Normal Pension Age is the age that you can take your benefits from unreduced. The difference in how you built up your benefits includes the salary used to calculate these, as well as the actual 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 (DC) part of the USS, 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 that 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 (DB) under a different name which did not apply any salary threshold. First of all, for members who joined prior to 1 April 2011, you would have been in the Final Salary section which meant 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, which is your online portal for USS benefits, and you'll find that in the **My documents** area. The build up rate in the Final Salary section was at 1/80th of your final pensionable salary.

For members who joined on or after 1 April 2011, you would have been in the Career Revalued Benefits section or the CRB section which meant that 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 rate in the CRB section was also 1/80th of your salary but for each year.

Some members may have paid additional contributions to buy additional year's service in the Final Salary section or 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 (DC) 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 October 2016, because most MPAVC pots from Prudential's unit-link funds were switched into the Investment Builder, but not with-profits or deposit funds.

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If this applies to you, USS will provide details of these savings and the options that you have when you come to take them as part of your retirement quote. Further details regarding 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, tablet or 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 together under the heading of Retirement Income Builder Benefits in that summary on My USS. And then if you select the Retirement Income Builder on the left, there you can see how your pension is split between Final Salary or CRB and the Retirement Income Builder.