

# Choosing your retirement date. When will you take your benefits?

## Video transcript

Here we'll have a look at when you might take your benefits. You can start to draw your benefits from USS from the minimum pension age, which is set by the government. And the minimum pension age is currently age 55, but it is rising to age 57 from April 2028.

And when you retire, you might have both defined benefits and defined contribution savings. Your defined benefits are your Retirement Income Builder benefits, which will include any Final Salary, Career Revalued Benefits (CRB), and any added years or added pension AVCs. Your defined contribution savings are your Investment Builder or Money Purchase AVCs (MPAVCs) with Prudential.

You do not have to take your defined contribution savings at the same time as your defined benefits. You can take your defined contribution savings earlier, as long as you've reached UK's minimum pension age. Or you might take your Retirement Income Builder defined benefits but leave your defined contribution savings invested, and then you can choose what to do with them later.

But focusing first on the Retirement Income Builder benefits, the defined benefits. The various types of retirement available for members in USS with deferred benefits who are no longer paying in to USS are normal, early and ill health retirement. And it's 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 (NPA), but some members with deferred benefits prefer to take them at an earlier age and take early retirement. Also, whilst it's not something any of us can plan for, you might be able to take your USS benefits earlier under ill health if this applies to you and you meet the criteria.

Normal retirement is where benefits are taken at your Normal Pension Age and the Normal Pension Age is currently age 66 for those still contributing to USS, but depending on when you stopped contributing to USS, you might have a different Normal Pension Age. So it's the age at which your Retirement Income Builder, defined benefits, become payable in full. And your leaver statement will confirm your Normal Pension Age.

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 State Pension age. But this applies only to benefits building up after October 2020. So if you stopped contributing on or after October 2020 and were to take your benefits at Normal Pension Age of age 66, you might receive an increase on some elements of your pension benefits to reflect the Normal Pension Age that was in place when you built up those 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.

But you might not have to wait until your Normal Pension Age to take your benefits. If you left the scheme on or after April 2022, or if you left the scheme before this date, but were contributing for two or more years, you may be able to retire earlier.

The earliest age HMRC usually lets people take their pension benefits is from the minimum pension age, and this is currently age 55, but it is changing to age 57 from April 2028. And if you do start taking your pension early, then your defined benefits may be reduced for early payment as it's expected that they'll be paid for a longer period.

And as we covered with normal retirement, before the Normal Pension Age changed to age 66 in October 2020, you may have built up some benefits that have a Normal Pension Age of 65, and some people might have even built-up benefits with a retirement age that's even lower than this.

On early retirement, the calculation takes all these different Normal Pension Ages that applied to your benefits into account, along with the age that you're actually taking your benefits. So different reductions will apply to the Normal Pension Ages applying to the different parts of your benefits.

And the factors used in the calculations are reviewed and updated as appropriate by the trustee, that's based on a scheme actuary advice, so they are subject to change from time to time.

Now, having to stop work completely because of an illness or an injury is not a nice thought, but unfortunately it could happen. And in this case you might be eligible to retire early on an ill health basis with USS. So if you have an illness or a condition that stops you from working or reduces your capacity 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.

With ill health retirement, you'll get the benefits that you've built up to date and they will not be reduced due to early payment. There's also serious ill health, which is if you're suffering from a serious ill health condition and only have a limited time to live. And then in that case, USS may be able to convert, or commute, your pension and pay all your benefits as a lump sum.

But we've only talked here about taking your Retirement Income Builder, defined benefits (DB), so far. You may have also got some defined contribution (DC) savings, i.e. Investment Builder savings or Money Purchase AVCs with Prudential. And if you do have defined contribution savings, there's some more options available to you.

So, when you choose to take your defined contribution savings, first of all, you might choose to take them at the same time as your Retirement Income Builder, defined benefits, either partly or fully as a lump sum. And the lump sum might be tax-free, up to certain limits.

Or you might take some or all of your defined contribution savings separately from taking your defined benefits. And that's known as a cash sum and that's known as an Uncrystallised Funds Pension Lump Sum, or UFPLS, and a quarter of it, or 25%, can be generally paid tax-free.

Or you might want to leave some or all of your Investment Builder savings invested with USS until you're ready to use them. If you do not take all of your Investment Builder savings, they would pass to your beneficiaries after your death.

Or you could transfer your Investment Builder savings to another provider outside of USS to access other ways of using your pot of money, such as drawdown — which is where you draw out an income until the pot runs out, or buying an annuity — which is securing a guaranteed income for life.

Before making any decisions about what to do with your pension savings, USS do recommend that you seek guidance on the options and/or take independent financial advice to understand which options might be right for you.

When thinking about when you'll take your benefits and what you might get on retirement, if it's more than six months before your planned retirement date, you can use the Benefit Calculator projection tool in My USS to provide an estimate of the Retirement Income Builder (defined benefits) you'll receive and any defined contribution savings you could access in retirement. And you can also look at the choices that you can make if you have defined contribution savings.

But if you're within six months of your planned retirement date, you can request a quote from USS to understand what your benefits might be. And this, of course, can also help you plan further. Your retirement quote will outline your benefits and any savings as well as your options. And then you can use the information that you receive from USS in that retirement quote within the Benefit Calculator in My USS to explore options like how much cash and pension to take.

Then, at around six months before your Normal Pension Age, USS will contact you to discuss putting your benefits into payment by your Normal Pension Age, if you have any Retirement Income Builder (defined benefits), and if you have not contacted them already.

If USS do not have your up to date details though, they will not be able to contact you, and the easiest way to ensure USS know where you are is to register for My USS and to keep your details up to date on there.