



How USS works

Video transcript

Let's take a look at how your benefits and savings in USS can build up. Now there's two main types of pension in the UK, the defined benefit (DB) and defined contribution (DC), and USS has got both these types of benefits.

Defined benefit (DB) means that your benefits on retirement are based on a predetermined formula. In USS, the pension that you build up depends on the salary that you earn each year (up to a certain threshold), the years that you've been working, and a pension build up rate.

The pension that 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 (DB) part of USS is called the Retirement Income Builder.

There's also a defined contribution (DC) part of USS which is called the Investment Builder. In a defined contribution (DC) 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.

So it's completely dependent on how much has been paid into your pot and how it's grown over the years. In general, you tend to have more flexibility in how and when you can take defined contribution (DC) savings.

In the defined contribution (DC) part, the Investment Builder, you can choose where your money's invested if you wish to, from a range of investments that USS offers, or USS can invest these for you. For the defined benefit (DB) part, the Retirement Income Builder, USS makes those investment decisions on behalf of all members so that you receive your specific level of benefit.

We're going to have a look at these in more detail now and show some examples of how the benefits are calculated. In USS, everyone builds up Retirement Income Builder, defined benefit (DB), benefits on their salary up to the salary threshold.

And the salary threshold from 1 April 2026 is £74,208. If you earn above the salary threshold, then you'll also build up Investment Builder savings, defined contribution (DC), on your salary above that threshold.



If your earnings fluctuate around the salary threshold, any contributions to the Investment Builder section will stop and restart as appropriate automatically. Now just having a closer look at how the Retirement Income Builder works.

In the Retirement Income Builder, you build up a block of pension equal to a 75th of your salary for each year that you're a member of the scheme. The salary used in this formula though, is only up to a maximum of the salary threshold, which is currently £74,208.

So you will build up a block of pension for each year that you're paying into the scheme. Then, annual increases are applied to the block of pension between the time it's earned and the time it's eventually paid, and these increases are currently linked to the Consumer Prices Index or CPI measure inflation up to certain limits.

If we add all those blocks together with those annual increases, we get your total annual pension. And you'll also get a tax-free cash lump sum of three times your total annual pension, which is a one-off payment paid at the point of retirement, paid in addition to your annual pension.

You can exchange some of your pension for a higher tax-free cash lump sum on retirement and vice versa. So you could even take no tax-free cash and take a higher pension for life.

You make that decision when you come to retire. Then, once in payment, your pension will increase each year — again these increases are currently linked to the Consumer Prices Index, or CPI measure of inflation up to certain limits.

And so that you can keep a track of how much you're building up, you'll receive details from USS each year in an Annual Member Statement, which can be accessed on the member portal, My USS.

Now just having a look at how the Investment Builder works. If you're earning above the salary threshold, then 20% of the value of your salary above this threshold is paid into the Investment Builder.

And this comes from the contributions that you and your employer are already paying in to USS and it's at no further cost to you. The contribution rate that you pay is 6.1% of your total salary.