

# Bereavement benefits for death in service

## What are they?

Benefits are payable to your beneficiaries should you die whilst you're building up benefits in USS.

On your death a lump sum is payable. In addition incomes may be payable to your dependents, including any eligible children.

This factsheet sets out USS's bereavement benefits in the event that you die whilst paying in to USS. For information about what happens in the event of death in retirement or once you have left the scheme please see the Retirement and/or Leaver booklets.

### Introduction

Once you start building up benefits in USS, should you die your beneficiaries could qualify for a range of benefits:

- Lump sum equal to three times your salary; and
- If you're married or have a civil partner, your spouse or civil partner is entitled to a pension from USS. If you do not have a spouse or civil partner this income could be paid to your financial dependant; and
- Pensions may be payable to eligible children.

### How does the lump sum work?

A lump sum, equivalent to three times your annual rate of salary at the date of your death, is payable under discretionary trusts. If you work part-time this will be the actual salary you receive, not the full-time equivalent. When calculating the lump sum, the salary threshold would not apply – we use your full annual salary to calculate the payment.

Exceptionally, where your previous salaries have been considerably larger than your current salary, the lump sum may be based on a notional calculation of the retirement lump sum you would have received from the main scheme if you had retired on the grounds of total incapacity on the day before you died.

Payment can be made to a relative, dependant, personal representative or someone else nominated by you. You can obtain an 'Expression of Wish' form from the USS website at [www.uss.co.uk](http://www.uss.co.uk) to advise Universities Superannuation Scheme Ltd (the trustee) of the identity of the person/s you wish to receive any lump sum which may become payable on your death. The payment is made at the discretion of the trustee in order to ensure that the lump sum is not subject to UK Inheritance Tax. USS cannot therefore be bound to comply with your wishes although they will always be taken into consideration.

You have the option to request that the whole of the lump sum is payable to one nominated beneficiary or it can be divided among several such beneficiaries. A nominated beneficiary can be a charity or any other organisation capable of receiving a lump sum.

### What will my spouse or civil partner receive as a pension?

If you die in service, a pension will be payable to your spouse or civil partner for life. The amount of the pension would usually be equivalent to half the pension you would have received had you remained in the scheme until age 65 (service is restricted to a maximum of 40 years, unless you had more than 40 years on death).

In estimating your pension at 65, for any membership from 1 October 2016, the salary threshold is ignored. Your full salary is therefore used in the calculation of your estimated benefits at 65.

If you had achieved 40 years service prior to date of death and elected to continue paying contributions to USS, the additional benefits will be included in the calculation of your spouse/civil partner or dependant's pension. These benefits might be different from usual, as noted below, if your USS benefits had been affected by a settlement on the breakdown of a marriage or civil partnership.

It might be less than usual if:

- you were not living with your spouse or civil partner when you died and some pension was redirected to a dependant.

It might be more than usual if:

- you have allocated some of your own pension to your spouse or civil partner.

All the examples in this factsheet are based on a full-time employee who has unbroken service after joining USS until their death.

### How does this work?

#### Spouse's pension

If you had built up a pension of £2,196.45 a year and the pension accrued in the last 12 months was £562.50 and you died in service aged 45, your spouse's pension would be 50% of the pension built up so far, plus 20 times the last 12 months' pension (20 being the number of years between date of death and age 65).

$$= (£2,196.45 + (20 \times £562.50)) \times 50\%$$

$$= (£2,196.45 + £11,250) \times 50\%$$

$$= £13,446.45 \times 50\%$$

$$= £6,723.22 \text{ a year}$$

### What if I am not married or not in a registered civil partnership?

A pension may also be payable if you are not married and do not have a registered civil partner but have a dependent partner, or there is someone else who is dependent on you. The amount of the pension cannot exceed the amount of pension which would be payable to a spouse or civil partner.

### Initial pension payments

During the first three months following your death, a higher amount of gross pension is payable if you have been in active membership for at least five years in aggregate. This is based on a twelfth of your salary calculated at the date of your death. From the fourth month following your death, the amount of pension is reduced to the normal level as explained above.

### Will a pension be payable in respect of my children?

In addition to the dependant's pension, an income of up to 75% of your pension at age 65, subject to a maximum calculated by reference to service achieved at death or 40 years, is paid to your eligible children. If you leave one eligible child the value is half of 75% of your pension (i.e. 37.5%), if you leave two or more eligible children, they'll share a total income of 75% of your potential pension at age 65. If a child is over age 18 then the pension must be paid to his or her own bank account unless there is any reason why this would be inappropriate.

To be your eligible child, a person must be your lawful child (including any not yet born) or legally adopted by you or, if a natural child or a stepchild or any other child accepted by you as a member of your family who is financially dependent on you. If eligible and your children are either under age 18 or are receiving full-time education or undergoing full-time training approved by USS, they will qualify for a pension.

However, where the child remains in full-time education or is undergoing full-time training, children's pensions will cease at age 23.

A full-time course at a university, college of further education, or college of higher education would normally qualify as full-time education. A full-time course of training leading to a professional qualification or full-time vocational training would normally be approved.

A child, of whatever age, who is physically or mentally incapable of being self-supporting may qualify for a pension for life.

### **How does this work?**

#### **Children's pension (two or more eligible children)**

If you had built up a pension of £2,196.45 a year and the pension accrued in the last 12 months was £562.50 and you died in service aged 45, your children's pension (shared equally between two or more children) would be 75% of the pension built up so far, plus 20 times the last 12 months' pension (20 being the number of years between date of death and age 65).

$$= (£2,196.45 + (20 \times £562.50)) \times 75\%$$

$$= (£2,196.45 + £11,250) \times 75\%$$

$$= £13,446.45 \times 75\%$$

$$= £10,084.83 \text{ a year}$$

### **Higher rate children's pensions**

If you are not married and do not have a registered civil partner at the date of your death, and no dependant's pension is payable on your death (see the 'Pensions for dependants' factsheet), then the amount of pension payable to your children will be increased from a maximum of three-quarters of the pension you would have received at age 65 to an amount equal to the pension you would have received. This increase would also be paid if a pension to your spouse, civil partner or dependant stopped following their death.

### **Additional lump sum if none of the above pensions are payable**

If you do not leave a spouse, registered civil partner or dependant and have no eligible children, an additional lump sum may be payable depending on your age and service at the date of death. Generally the younger you are the greater the amount of the lump sum. An annuity paid as a result of allocation does not preclude payment of such an additional lump sum.

### **Allocation**

If you want to provide additional pension after your death to your spouse or civil partner, and/or to one or more other beneficiaries of a permitted kind, there is provision to surrender part of your own retirement pension and allocate it to that beneficiary (or those beneficiaries).

Please see the 'Allocation' factsheet at [www.uss.co.uk](http://www.uss.co.uk)

### **Pension increases**

All spouse's, civil partner's, dependants' and children's pensions are reviewed annually. Payments made from the main section of the scheme are increased in line with official pensions, being pension schemes for public sector employers like the NHS, Teaching, Civil Service and the Police. USS matches increases to official pensions up to 5%. If official pensions increase by more than 5%, USS applies 50% of the increase above 5% up to a limit of 10%. So, if official pensions increased by 15% the USS increase would be 10% in that year. Pensions paid from the supplementary section are normally increased to the same extent if the funds are available.

## What about additional voluntary contributions (AVCs) and the USS Investment Builder?

### USS Investment Builder

Any funds built up as a result of:

- Any voluntary contributions you made, but not including the match from your employer prior to 1 April 2019<sup>1</sup>; and
- Any benefits transferred-in to USS Investment Builder since 1 October 2016

will be returned to your nominated beneficiaries; tax free should you die before the age of 75 or taxed at your marginal rate should die after the age of 75.

To be clear, any USS Investment Builder funds built up as a result of:

- The employer match prior to 1 April 2019<sup>1</sup>; and
- Automatic contributions paid by you and your employer on salary above the salary threshold

will be credited back to the scheme. This is in exchange for the scheme using your full salary in the calculation of the income benefits payable on bereavement if you die in service.

Should you die whilst in active service, the benefits payable would be based on your full salary. They wouldn't be limited to the salary threshold. In lieu of this enhancement, any contributions above the salary threshold you and your employer paid in to the USS Investment Builder, as well as any match contribution paid by your employer prior to 1 April 2019<sup>1</sup>, would be credited back to the scheme. If you have used Scheme Pays, taken a cash lump sum or transferred out benefits from USS Investment Builder funds built up as a result of these contributions, a deduction will be made from the death benefits payable. This is to ensure all members are treated fairly.

### Added years or career revalued benefits AVCs

If you contributed to the added years or revalued benefits AVC arrangements for five years or more, the full amount of benefit you would have bought at the end of the arrangement will be included in the calculation of the bereavement income benefits.

If you have paid into the arrangement for less than five years, you will receive a pro-rata amount of the total benefit. For example, if you had paid into the arrangement for three years then 3/5ths of the total benefit you would have bought will be added to the total used to calculate your benefits.

If you paid a lump sum AVC more than a year before death you receive the full credit; the credit will be reduced if the lump sum AVC was paid less than a year before death.

### Money Purchase AVCs - Prudential

If you have any savings currently invested in the Money Purchase AVC, we will advise Prudential of your death and, unless you have advised them to the contrary, they will distribute the fund value to your beneficiaries identified on the USS Expression of Wish form. Please note that if you do advise Prudential separately about your wishes on death then any lump sum paid from the Money Purchase AVC may be subject to Inheritance Tax.

<sup>1</sup> From 1 April 2019, the employer element of the match was removed. You may still have the match and be making additional contributions to your USS Investment Builder pot. For more information, go to [www.uss.co.uk/the-match](http://www.uss.co.uk/the-match)

This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the latter prevail. Members are advised to check with their employer contact for latest information regarding the scheme, and any changes that may have occurred to its rules and benefits. For a glossary of our terms please see more information on our [important terms](#) page.

The USS logo is a red circle with the letters 'USS' in white.