

Retirement

This factsheet is designed for members who are approaching retirement, to help you think about making the most of your USS retirement savings. We will send you other information, including your retirement quote and letters once your employer has confirmed your retirement date by submitting a retirement notification form. You should read the information in this factsheet alongside those documents.

Your retirement options

When can I retire?

- The normal pension age in USS is 65.
- If you're retiring due to ill health, you can access your pension from 55, but this will affect your benefits.
- If you have five years' service, and you've been paying into USS continuously since 5 April 2006, and if your role is made redundant*, you'll be entitled to access your pension from age 50.
- If you left USS before 6 April 2006, have five years' service and you either left at the request of your employer or your role became redundant*, you can receive your pension from age 50.

USS pension scheme

There are two sections of USS that work alongside one another.

The USS Retirement Income Builder	The USS Investment Builder
When you become a member of USS, you automatically join the USS Retirement Income Builder	If you've earned above the salary threshold, transferred money into USS from another pension scheme or made additional contributions, you'll have built up a USS Investment Builder pot.
It gives you a set level of income, when you retire, based on how long you've been a member of USS and your salary, up to an annual threshold (£57,216.50 for 2018/19*).	This is a flexible way to save for retirement, allowing you to invest in one or more of the 10 'Let me do it' options or you can choose either the Default Lifestyle or Ethical Lifestyle funds, and we'll manage your investments for you.
Every year, you earn 1/75th of your salary (up to the threshold), and at the end of every year, your benefits are 'banked'. Each year, you earn more benefits, and these are added to those you've already earned. They're increased annually, in line with inflation and paid to you when you retire. On your retirement, you'll also receive a tax-free lump sum of three times the gross value of your USS Retirement Income Builder pension.	Your benefits at retirement are based on: <ul style="list-style-type: none"> • Any contributions you and your employer (if applicable) make; • The performance of the funds your contributions are invested in**. There are various ways you can use your savings, including as tax-free a lump sum, as a series of cash payments, Flexible Access Drawdown or to buy an annuity which will give you a guaranteed income for life.

* The salary threshold is revalued each year and increased broadly in line with inflation, to a maximum of 10%.

** The value can go up or down over time.

The USS Investment Builder and your Target Retirement Age (TRA)

If you're contributing (or have contributed) to the USS Investment Builder, and you've chosen one of the 'Do it for me' options, it's important to keep your Target Retirement Age up to date. With these options, we invest your contributions in a mix of investment types, which will switch from 'growth' to 'moderate' to 'cautious' as you get closer to your Target Retirement Age.

Gradually switching your investments from higher risk-higher return to lower risk-lower return investments, gives your savings time to recover from any possible losses that occur during their time invested in 'growth' funds. This gives you more certainty about the value of your pension pot as you approach retirement.

If this applies to you, you'll need to go to the 'manage my investments' page in My USS to set your Target Retirement Age. We need to know this so we can switch your investments at the right time. If you don't set a Target Retirement Age, it will default to your normal pension age (usually age 65).

Changing the age at which you retire

Normal retirement

This is when you retire at the scheme's normal pension age. This is currently 65, but it will increase in line with increases to state pension ages.

You don't need consent to retire and receive your benefits at your normal pension age, but you will need to have ended your USS pensionable employment to draw your benefits. If you retire at normal pension age, you'll receive the full amount of benefits you've built up in the scheme without any reductions applying.

Early retirement

- If you're aged 55 or over and have at least two years' service, you can retire before you reach normal pension age.*
- If your role is made redundant and you've been a member of USS continuously since 5 April 2006, you can retire from age 50.*
- If you left the scheme but were not old enough to draw your pension, your benefits are deferred. In this case, you may ask for them to be paid from age 55 (50, if your role was made redundant).*

Flexible retirement

If you're still contributing to your pension, under the flexible retirement option, you could draw between 20% and 80% of your benefits whilst remaining in employment. Conditions include reducing your working hours. Read the [Flexible retirement](#) factsheet, for more information.

Late retirement

If your employer agrees to you remaining in service after you've reached normal pension age, you must continue to contribute to USS. The benefits you build up in the USS Retirement Income Builder will be banked up to your normal pension age, and will increase in line with inflation each subsequent year, up to age 75, when you have to draw your benefits. Benefits built up after your normal pension age will be saved in the USS Investment Builder, and increased at a different rate:

If you reached normal pension age before 1 April 2016

- 0.5% per month for each month after normal pension age up to 31 March 2016; and
- 0.35% per month for each month since 1 April 2016

If you reached normal pension age on or after 1 April 2016

- 0.35% per month for each month after normal pension age

**If you take your benefits early, they may be reduced. See appendix*

Taking your money

Approaching retirement

If you save in the USS Investment Builder, we'll write to you six months before your Target Retirement Age or Normal Pension Age, whichever is sooner, to explain the different ways you can take your money. For details on how you can take your USS Retirement Income Builder benefits, you can ask us for a retirement quotation before you reach your normal pension age.

The USS Retirement Income Builder

You can choose a tax-free lump sum of three times the gross value of your USS Retirement Income Builder pension, or if you want to, you can take less or even no cash, and receive a higher pension. Use the benefit converter, to see how this would affect you. Your options for taking a higher or lower level of cash will be outlined in your retirement quote.

The government limits the amount of tax-free cash you can take. This is either 20 times the gross annual pension you receive* or 25% of the standard lifetime allowance** (currently £1,000,000), whichever is lower. See the [Tax-free cash options at retirement](#) factsheet, for more information.

The USS Investment Builder

If you have a USS Investment Builder pot, when you retire, you can take this money alongside benefits from the USS Retirement Income Builder. Alternatively, you can access your money earlier, if you choose early or flexible retirement, or later.

In the 5-10 years before you retire, it's important to consider how you'll take your money. You might want to switch your investments to funds that are best suited to taking a cash sum or to those that might be better if you plan to leave cash invested – our 'Do it for me' lifestyle options automatically switch over time, based on your Target Retirement Age. If you're not sure what's best for you, speak to an independent financial adviser. You can find one at unbiased.co.uk.

The USS Investment Builder options:

Take your savings as cash	Withdraw some or all of your pot from the USS Investment Builder as tax-free cash to use however you want.
AND/OR	
Leave your money invested, taking cash when you need it*	Anytime from age 55, you can take a cash payment (UFPLS) and leave some or all of your pot invested in the USS Investment Builder, whether or not you are retiring. You can withdraw up to four cash payments each year. Your first withdrawal in each year, or a withdrawal of your total pot, will be free, but there's a £90 charge for each subsequent withdrawal. 25% of any withdrawals you make will be tax-free, with the remainder taxed as income at the highest rate applicable to you at the time.
AND/OR	
Income in retirement	Use your USS Investment Builder pot to supplement the monthly income you'll receive from the USS Retirement Income Builder, or buy an annuity to provide a guaranteed income for life.

*In most instances, 25% of any withdrawals are likely to be tax-free. For more information, see the [Flexibility with the USS Investment Builder guide](#).

**If you've already drawn benefits from another UK pension scheme, or intend to do so at the same date as drawing benefits from USS, this may reduce any tax-free lump sum from USS. More information is available on request.*

***If you've applied to HMRC to protect a higher lifetime allowance, the tax-free lump sum you can receive may be higher, and any quotations provided by USS will reflect this.*

Other ways of taking your benefits

When you retire	At flexible retirement	Before retirement, by transferring out **
You might want to take your USS Retirement Income Builder benefits when you reach normal pension age but leave some or all of your USS Investment Builder pot, if you have one, until later. Alternatively, if you take late retirement, you might want to take all of your benefits after your normal pension age.	Subject to conditions, you could access part of your retirement benefits from the USS Retirement Income Builder and USS Investment Builder whilst you remain in employment.	You could choose to transfer your USS Investment Builder pot to another pension arrangement. The employer subsidised investment management charges will not apply to any funds once they have been transferred out.

If you take Flexible Access Drawdown, any future contributions to a defined contribution arrangement will be subject to the Money Purchase Annual Allowance (MPAA). For more details, please see our [Annual Allowance factsheet](#).

Money Purchase AVCs (MPAVC)

If you've contributed to the MPAVC, invested with Prudential, you'll have a number of options when you retire. Any unit linked funds have been transferred to the USS Investment Builder and are now part of your pot. If you have With-Profits and Deposit funds:

You could use all of your pot to purchase an annuity (an income for life) from Prudential, or you could buy one from another provider under the 'open market' option.	Your fund can be taken as part of your tax-free cash. You're allowed to take up to 25% of the capital value of your benefits as tax-free cash. You could take your entire USS MPAVC fund as cash, and take less cash from the USS Retirement Income Builder, which means you'll receive a higher USS pension. You could use a flexible access product such as UFPLS or Flexible Access Drawdown.	You can start taking your benefits from age 55, by flexibly retiring, even if you're still working, so long as you also take your USS benefits at the same time.	You could convert your MPAVC fund to USS benefits, when you retire. These benefits will be in the form of additional USS pension and lump sum.
You'll have a choice of different companies, which offer different levels of income and options.	This assumes you've used up any funds built up in the USS Investment Builder. Tax regulations may change, so you might not be able to take all or part of your MPAVC fund as tax-free cash when you retire.	If you're in active service, you might be able to start taking your benefits before the age of 55 if you're in ill-health or have a protected pension age and your role's made redundant. You can defer your benefits.***	The additional USS pension would be payable for your lifetime, would continue to your spouse/civil partner/dependant on your death at the rate of 50%, and would increase each year, in line with standard USS pension increases.

**If you take cash from your USS Investment Builder pot, any future contributions to a defined contribution arrangement will be subject to the Money Purchase Annual Allowance (MPAA). For more details, please see our [Annual Allowance factsheet](#).*

***Any money transferred out will be offset against death-in-service or incapacity benefits should they become payable. These benefits are based on your full salary, rather than the salary threshold. In lieu of this enhancement, any automatic contributions you and your employer paid in to the USS Investment Builder will be credited back to the scheme, or where already drawn from the USS Investment Builder or transferred-out, an adjustment will be made from the death-in-service/incapacity benefits payable.*

If your lifetime allowance is subject to fixed or enhanced protection, transferring your USS Investment Builder funds to secure additional USS Retirement Income Builder benefits will result in you losing that protection.

**** These options are subject to the trust deed and rules (as amended from time to time) and the trustee's arrangements with the Prudential.*

You can also get a quotation from the [MPAVC modeller](#).

Details of your Prudential MPAVC and your options will be outlined in your retirement quotation. Further information about the USS MPAVC is available in the 'resources' section of www.uss.co.uk.

If your Annual Allowance has fixed or enhanced protection, this will be lost if you transfer your USS MPAVC fund to secure additional pension benefits in USS upon retirement.

Retiring overseas

If you're considering retiring overseas, please see the [working overseas factsheet](#) for more information.

Transfer values agreed on or after 1 April 2009

If you transferred benefits from another scheme into USS on or after 1 April 2009, the benefits will usually be payable in full from normal pension age or the normal pension age applicable at the time of transfer. There are some exceptions to this, so you should refer to the offer letter you received at the time of the transfer.

If you draw these benefits early, except in the case of incapacity retirement, they will be reduced in line with the number of years and months you do this before reaching the scheme's normal pension age. This also applies if you leave the scheme early and decide to draw your benefits before age 65. If you're retiring under the flexible retirement terms, see the [Flexible Retirement factsheet](#).

Pension increases

You can find more information about pension increases in the [Retiring from the scheme guide](#).

Annual and lifetime allowances

These are limits, set by the government, on the amount of pension you can build up before they're subject to tax. For more information, see the [Annual Allowance factsheet](#) and the [Lifetime Allowance guide](#).

After you've retired

If you want to take your full pension benefits, you must have ended your pensionable employment, except in the case of flexible retirement. You wouldn't be considered retired if you started another USS-eligible job with your current employer or any other employer that participates in the scheme, even if you don't intend to enrol.

If you're offered new employment after you've retired, your employer may have a duty to enrol you into a pension scheme. You'll need to seek advice from your employer about whether you're able to re-join USS. You can find more information at uss.co.uk.

If you retire on the grounds of incapacity, we may either:

- Withdraw or suspend that pension for periods up to normal retirement age, if it determines that you are no longer suffering from incapacity; or
- Withdraw an enhanced incapacity pension and grant a non-enhanced incapacity pension, if it determines that you are suffering from partial incapacity and not total incapacity (each of these terms as defined in the scheme's trust deed and rules).

If, at any time, you consider the above applies to you, please inform us in writing.

Please note: your total income, including your pension, will be assessed for income tax.

Deductions from benefits (former final salary section members)

If you built up pension benefits in USS (following a period of eligible employment, but not as a result of a transfer-in from another pension arrangement), for which you received a refund of contributions, any amounts still due to USS at the date of your retirement will be deducted with interest from your retirement lump sum or where appropriate, from your pension. This excludes benefits from overseas schemes and surrendered FSSU policies.

¹These options are subject to the trust deed and rules (as amended from time to time) and the trustee's arrangements with the Prudential.

It may be possible to pay some or all of this amount to USS shortly before you retire and claim tax relief up to the maximum allowed. If you think this applies to you, ask for a quotation of the cost shortly before you're due to retire.

If you contributed to the State Second Pension (S2P) during your USS-eligible employment (for example, you might have been a member of FSSU between April 1978 and 1980), a deduction will be made from your USS pension from the date of your retirement or if later, the date you reach state pension age. The deduction will be equivalent to the amount of additional pension you earned in S2P during any period USS-eligible employment, but you will receive your SP2 benefits directly from the Department for Work and Pensions. The exact amount of this deduction cannot be calculated until the beginning of the tax year in which you reach state pension age because it's revalued each year. We can give you the most recent value on request.

Small 'trivial' pensions

Where your pension from USS is very small, it may be possible in some circumstances to 'fully commute' this benefit. In other words, you could get a one-off lump sum payment rather than the small pension income. We'll tell you, if this is an option.

Paying your benefits

More details of how your benefits will be paid are included in your retirement quote. You can also find more information in the [Retiring from the Scheme booklet](#).

Pension Wise

If you need impartial guidance about the options you have with the USS Investment Builder and/or MPAVCS and how to access your funds, you can contact Pension Wise. Pension Wise is a free and impartial government service available for anyone over the age of 50. Visit the website pensionwise.gov.uk for further information. Alternatively, call 0800 138 3944.

Money Advice Service

You may also find the Money Advice Service website helpful. This is a free and impartial government service that provides money advice, tools and calculators for financial planning. Visit the website moneyadviceservice.org.uk or call 0800 138 7777.

If you're not sure what's best for you, speak to an independent financial adviser. You can find one at unbiased.co.uk. You may be charged for any advice.

Appendix One – Early retirement and how it affects your pension

Early retirement

Joiners since 1 October 2011

If you retire before normal pension age, with the exception of incapacity retirement, early retirement reductions apply. The reduction is roughly an average of 4% for each year and part-year earlier than normal pension age: so, if you retire five years early, the benefits you build up will be reduced by around 20%.

Joiners before 1 October 2011

This depends on your age when you retire, the reason for retirement and your contractual pension age at 30 September 2011 (before 2011, contracts of employment could have lower retirement ages, so you may have had the right to retire before normal pension age).

If you have a contractual pension age, early retirement reductions may apply for each year earlier than this age that you retire. For any membership since 1 October 2011, early retirement reductions apply for each year earlier than USS's normal pension age that you retire (see next page).

There is an exception to the early retirement terms for exempt members (members that were 55 or more on 1 October 2011). If you're an exempt member and you were a member of USS on 30 September 2011, you may be able to draw your full unreduced benefits from age 60 onwards, so long as you have the consent of your employer (see next page).

Benefits will be based on the total benefits built up at the date of retirement. Exceptionally, in this situation, where your employer doesn't consent to your early retirement, if you have been in active membership for at least five years in aggregate and are aged 60 or above, you can receive an immediate pension. However, part of your pension may be reduced by an Early Retirement Factor determined on actuarial advice. Ask us for a retirement quote to reflect this.

All members

Where relevant, from age 60 and with over five years of pensionable service, if your employer consents, you can receive pre-October 2011 benefits without reduction for early retirement (except Lump Sum AVCs). Due to historic gender equality legislation, the application of the early retirement factors differs between men and women in respect of service before 17 May 1990.

Retirement from age 60

Contract of employment as at 30 September 2011 states age 60.

Service period	Reduction for each year and part year before age	
	Male	Female
Pre 1 October 2011	No Reduction	No Reduction
Post 30 September 2011	65	65

In the above example an exempt member would have no reductions applied to USS benefits if retiring from active employment at age 60 due to a contractual pension age of 60. Reductions may still apply to other service elements, as explained above.

Contract of employment as at 30 September 2011, states age 65.

Service period	Reduction for each year and part year before age	
	Male	Female
Pre 17 May 1990	65 ²	60
17 May 1990 to 31 March 1995	60	60
1 April 1995 to 30 September 2011	63.5 ²	63.5 ²
Post 30 September 2011	65 ¹	65 ¹

1. If a member of USS as at 30 September 2011 and 55 or more on 1 October 2011 and the employer consents, no early retirement reduction applies. Although consent is not to be unreasonably withheld.

2. If your employer consents to retirement from age 60, pre-1 October 2011 benefits are paid without reduction.

Retirement before age 60 (earliest retirement age 55)

Contract of employment, as at 30 September 2011, states age 60

Service period	Reduction for each year and part year before age	
	Male	Female
Pre 1 October 2011	60	60
Post 30 September 2011	65 ³	65 ³

Contract of employment, as at 30 September 2011, states age 65.

Service period	Reduction for each year and part year before age	
	Male	Female
Pre 17 May 1990	65	60
17 May 1990 to 31 March 1995	60	60
1 April 1995 to 30 September 2011	63.5	63.5
Post 30 September 2011	65 ⁴	65 ⁴

Additional benefits bought by Added Years and Revalued Benefits AVC arrangements

If you retire before you have completed the term of your monthly AVC arrangement, you will be credited with a proportion of the service/benefits which you contracted to buy, as follows:

$$\left(\begin{array}{l} \text{period for which AVCs} \\ \text{were actually paid} \end{array} \div \begin{array}{l} \text{period for which AVCs would} \\ \text{have been payable until} \\ \text{proposed retirement date} \end{array} \right) \times \begin{array}{l} \text{pensionable service/benefits} \\ \text{that would have been bought} \\ \text{by proposed retirement date} \end{array}$$

How does this work?

So, if you were purchasing five years' service (in the Added Years AVC arrangement) with regular monthly contributions over a 20-year period to age 65, the pro-rata reduction if you retired five years before age 65 would be:

$$\frac{15 \text{ years}}{20 \text{ years}} \times 5 \text{ years} = 3 \text{ years and 274 days service}$$

If you bought additional benefits by lump sum AVC and retire before the proposed retirement date, you'll be credited with the full amount of benefits, but those benefits will be reduced by an Early Retirement Factor based on the number of years and months you're retiring earlier than you agreed when you started the arrangement.

3. Exempt members will have early retirement reductions applied for each year before age 60.

4. Exempt members will have early retirement reductions applied for each year before age 63¹/₂.

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.