

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.

USS pension scheme

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

The USS Retirement Income Builder

- All members earn benefits in this section;
- It provides security for you and your dependants;
- Your benefits at retirement are based on a formula that takes account of your service and your salary (up to a threshold, £57,216.50 for 2018/19*) each year. Benefits are also increased by USS pension increases.

The USS Investment Builder

- If you earn over the salary threshold (currently £57,216.50 for 2018/19*), you'll join this section automatically. If you earn less than the salary threshold you can still join this section, but it is optional.
- If you make an additional contribution of 1% of your salary by taking the match, your employer will match this with an additional 1% contribution. You can choose to contribute more but your employer will only match the first 1%;
- Your benefits at retirement are based on:
 - The total contributions made by you and your employer (if any) to the USS Investment Builder;
 - The performance of the funds that your contributions are invested in (net of any charges)**.

Contributions made by you and your employer up to the salary threshold will be made to the USS Retirement Income Builder, while contributions over the salary threshold will be made to the USS Investment Builder. If you don't earn over the salary threshold, you'll still be able to choose to save into the USS Investment Builder by making additional contributions, including the match.

Your retirement options

The first thing you'll need to decide is when you would like to take your money.

When can I retire?

The normal pension age (NPA) in USS is currently 65. Unless you are retiring due to incapacity, the earliest age you will be able to access your pension will be 55. This affects most pension schemes in the UK, including USS.

There are exceptions to this:

- If you are aged 50 or more, with five years' service, are made redundant and you have been paying into USS continuously since 5 April 2006, you will be entitled to access your pension from age 50.
- If you left the scheme on or before 5 April 2006, aged 50 or more, with five years' service and either left at the request of the employer or were made redundant, you can receive your pension from age 50.

* The salary threshold is revalued each year.

** The value can go up or down over time

If you meet one of the above criteria, you are described as having a Protected Pension Age (PPA). Please note these exceptions only apply if you have been made redundant as defined in the rules of USS.

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

If you are contributing (or have in the past) to the USS Investment Builder, it's important to consider at what age you'll begin to take your money, and review that regularly to make sure it's realistic for your circumstances. This is called your TRA and may be different from your normal pension age (although, depending on the TRA you select and how you wish to access your benefits, they may be the same age).

It is important to understand your overall benefits from the USS Retirement Income Builder and the USS Investment Builder as the way in which you access your money at retirement may impact on how much tax you will pay at and during retirement, and the size of your available tax-free lump sum.

Can I change the age that I want to retire?

There are a number of circumstances in which you may be eligible to receive your retirement benefits. These are:

Normal retirement

This is when you retire at the scheme's normal pension age (NPA). The NPA is currently 65, however it will increase in line with increases to state pension ages for men and women. When the NPA increases in future, the higher NPA will only apply to benefits built up after any change. You do not need the consent of your employer or of Universities Superannuation Scheme Ltd (the trustee) to retire and receive your benefits at your NPA, however you will need to have ceased your USS pensionable employment to draw your benefits.

If you retire at NPA, you will receive the full amount of benefits you have built up in the scheme without any reductions applying.

Early retirement

If you are age 55 or over and have at least two years service in aggregate, you may retire before the scheme's NPA and your benefits may be subject to an actuarial reduction to account for the early payment. If you are made redundant and have been a member of USS continuously since 5 April 2006 you may retire from age 50.

If you retire early, at least part of your benefits may be reduced for the earlier, and therefore longer, payment. This is explained in the appendix.

If your benefits are in deferred status (in other words you have left the scheme but were not old enough to draw your pension at the point you left), you may ask for them to be paid from age 55 (50 in some cases as described in the introductory paragraph to this section). Your benefits may be subject to reduction for early payment.

Flexible retirement

If you are an active member, under the flexible retirement option, you could draw between 20% and 80% of your benefits whilst remaining in employment, albeit you would be required to reduce your hours and salary by at least 20%. Please see the [Flexible retirement](#) factsheet on www.uss.co.uk

Late retirement

You may remain in service after the Scheme's NPA.

If you cease contributions at your NPA, and remain in active service until you retire, on your retirement you will receive your benefits earned up to NPA and increased for each complete month from your NPA to your actual date of retirement.

The increases are currently:

If you reached NPA before 1 April 2016

- 0.5% per month for each month from NPA up to 31 March 2016; and
- 0.35% per month for each month since 1 April 2016

If you reach NPA on or after 1 April 2016

- 0.35% per month for each month from NPA

Please note, rates are current at time of print but are subject to review and could change in future.

If you choose to continue contributions then, in addition to the above increase to benefits at your NPA, you will continue to build up further benefits in USS up until you eventually retire. You must draw your USS Retirement Income builder benefits before age 75.

If you are considering retiring overseas, please see the [working overseas](#) factsheet for more information on the implications this may have on your benefits.

Taking your money

Approaching retirement

We will write to you six months before retirement (or, if earlier, six months before your TRA see Your Retirement Options above for more details on your TRA) to explain your options.

The USS Retirement Income Builder

You will have built up benefits in the USS Retirement Income Builder based on a formula using your salary for each year that you are a member. At the end of each scheme year (31 March), your benefits are calculated as follows:

Pension = 1/75th x salary

Plus

Cash sum = 3 x pension

From 1 October 2016, a salary threshold (currently £57,216.50 for 2018/19*) will have applied to the benefits that you built up.

Your retirement quote will contain more details of your USS Retirement Income Builder options. Please note that, where applicable, you will also receive benefits from any service in the scheme before 1 April 2016.

Lump sum and pension options

Your options outlined above are the standard package of benefits. However, if you wish, you can take less, or in fact no cash, and receive a higher pension. Use the benefit conversion tool on the USS website at www.uss.co.uk to see the effect of varying the amount of cash or pension you take. Your options for taking a higher or lower level of cash are outlined in your retirement quote. The amount of cash you request is drawn in the first instance from your USS Investment Builder and Money Purchase AVC (MPAVC) funds (should you have either or both).

There is a limit to how much cash you can take tax-free. This is set by HMRC and is currently 25% of the lifetime allowance value of your benefits or, if lower, 25% of the standard lifetime allowance limit in effect. The lifetime allowance value of your benefits is calculated at 20 times the gross annual pension you receive, plus the value of any lump sum taken. The standard lifetime allowance is determined by HMRC and is subject to change; currently it is £1,030,000** for the 2018/19 tax year.

At present, the maximum tax-free cash would therefore be no more than £257,500, but it may be less if the lifetime allowance value of your benefits is below £1,030,000. Please note that if you have already drawn benefits from another UK pension scheme, or intend to do so at the same date as drawing benefits from USS, this may further reduce your scope to receive a tax-free lump sum from USS; further information can be provided upon request if you believe you will be affected.

Please see the [Tax-free cash options at retirement](#) factsheet at www.uss.co.uk

The USS Investment Builder

When you retire, if you have funds invested in the USS Investment Builder you can take these alongside benefits from the USS Retirement Income Builder.

** The salary threshold is revalued each year.*

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

Alternatively, these benefits may be accessed at an earlier point if you opt for a form of early or flexible retirement. As you approach retirement, it's important to consider: at what age you plan to start taking your money from the USS Investment Builder; and how you plan to use that money.

The USS Investment Builder gives you control over how you take your money in retirement. The options available can be one or a combination of the following:

Take your savings as cash	Withdraw some, or potentially all, of your pension savings in the USS Investment Builder as tax-free cash to use as you see fit.
AND/OR	
Leaving your money invested, taking cash when you need it	Leave some or all of your money invested in the USS Investment Builder. You can then withdraw up to four cash lump sums each year, when you wish to. Your first withdrawal in each year, or a withdrawal which exhausts your fund will be free; each further withdrawal will then incur an administration charge, currently £90. 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 pension savings in the USS Investment Builder to increase the value of the monthly income you'll receive from the USS Retirement Income Builder, or buy an annuity from another provider.

In general, based on the current tax legislation, 25% of your money that you take in retirement will be tax-free, with the remainder taxed at your marginal rate. For more information, please refer to the [USS Flexibility in retirement with the USS Investment Builder](#) guide.

In the 5-10 years before you retire it's important to consider how you'll take your benefits. That's because you may want to switch your investments into funds that align with how you plan to use your money at retirement.

If you are in one of the lifestyle options, your investments automatically switch over time to be suitable for most members who, at retirement, wish to take a cash sum or leave some cash invested for the future. If you have different plans for how you'll use your money in the USS Investment Builder at retirement, you should consider switching to one or more of the self-select funds as you approach retirement, to better align your investments with your future plans.

Other ways of taking your benefits

Accessing benefits when you retire	Accessing benefits at flexible retirement	Accessing before retirement by transferring out
You may decide to take your USS Retirement Income Builder benefits from your NPA but leave some or all of your money invested in the USS Investment Builder until a later point. Alternatively, if you remain in service, you may wish to take all of your benefits after your NPA - this is referred to as 'late retirement'.	You may access part of your retirement benefits from the USS Retirement Income Builder and USS Investment Builder whilst remaining in employment. There are certain conditions that must be met before you can flexibly retire.	At any point you may transfer out your money invested in the USS Investment Builder to another pension arrangement. The employer subsidy of investment management charges will not apply for any funds once they have been transferred out.*

*Furthermore, any money transferred out will be off set against death-in-service or incapacity benefits should they become payable at a later date. Incapacity and death-in-service benefits are calculated by reference to your full salary, rather than salary restricted to the salary threshold for any period. In lieu of this enhancement, any automatic

**If you are looking at this option, you should be aware that if you start to draw your USS Investment Builder benefits (defined contribution (DC) benefits) under one of the flexible access products introduced by the government in April 2015 (e.g. UFPLS, Flexible Access Drawdown), your future DC contributions will be subject to a restricted annual allowance, known as the Money Purchase Annual Allowance (MPAA). For more details about the MPAA, please see our [Annual Allowance](#) factsheet.*

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.

Please note, fixed and enhanced protection will be lost if you elect to transfer your USS Investment Builder funds to secure additional benefits in the USS Retirement Income Builder upon retirement.

Money Purchase AVCs (MPAVC)

If you have contributed to the MPAVC, invested with Prudential, you will have a number of options when you retire.

<p>You could use all of your savings pot to purchase a taxable pension income (annuity) from Prudential, or you could buy an annuity from another provider under the 'open market' option.</p>	<p>Your fund can be taken as part of your tax-free cash.</p>	<p>You can start taking your benefits from age 55 by flexibly retiring, even if you are still working, provided you also take your USS benefits.</p>	<p>You may be able to convert your MPAVC fund to USS benefits at the point of retirement. These benefits will be in the form of additional USS pension and lump sum.</p>
<p>You will have a choice of different companies which offer different levels of income and options.</p>	<p>You are allowed to take up to 25% of the capital value of your benefits (including the USS MPAVC) as tax-free cash. You could opt to take your entire USS MPAVC fund as cash, take less cash from the USS Retirement Income Builder and receive a higher USS pension. This assumes you have used up any funds built up in the USS Investment Builder. Tax regulations may change; you cannot therefore guarantee that you will be able to take all or part of your MPAVC fund as tax-free cash when you retire.</p>	<p>If you are in active service, you may be able to start taking your benefits before the age of 55 if you are in ill-health or have a protected pension age and are made redundant. You can defer your benefits¹.</p>	<p>The additional USS pension would be payable for your life, would continue to your spouse/civil partner/ dependant on your death at the rate of 50%, and would increase in payment in line with standard USS pension increases.</p>

You can also get a quotation from the [MPAVC modeller](#) on the USS website at www.uss.co.uk

Full details of your MPAVC with Prudential and your options will be outlined in your retirement quotation. Further information about the USS MPAVC is available at www.uss.co.uk

Please note, fixed and enhanced protection will be lost if you elect to transfer your USS MPAVC fund to secure additional pension benefits in USS upon retirement. Please refer to the [Money Purchase AVC update](#) on www.uss.co.uk for further information.

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 could contact Pension Wise. Pension Wise is a free and impartial government service available for anyone over the age of 50. Visit the website www.pensionwise.gov.uk for further information. Alternatively, you can call 0800 138 3944 to arrange a face-to-face telephone appointment with their team.

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

Money Advice Service

You may also find the Money Advice Service website helpful in guiding you through your options. This is a free and impartial government service that provides money advice, tools and calculators for financial planning and telephone support. Visit the website www.moneyadvice.service.org.uk or call 0800 138 7777.

If you are not sure what's best for you, we strongly recommend that you speak to an independent financial adviser (IFA) before making a decision (or refraining from making a decision) in relation to your USS benefits. You can find an IFA through the following website: www.unbiased.co.uk. Please be aware that you may be charged a fee for any advice.

Transfer values agreed before 1 April 2009

Benefits from a transfer to USS before 1 April 2009 may be actuarially reduced in certain circumstances, in the event of your early retirement before age 60, other than on grounds of ill-health.

If your retirement is due to:

- Redundancy;

OR

- At the request of your employer;

This reduction applies:

- If the transfer payment was received by USS within one year of you joining the scheme then the transferred-in benefit will be reduced if you retire with less than seven years' active membership since joining;

OR

- If the payment was received by USS more than one year after joining then the transferred-in service will be reduced if you retire with less than seven years' active membership since the payment had been received (although a period of six months is discounted for administrative time take to complete the transfer).

This condition applies to all transfers accepted on the pre-April 2009 basis.

If you are choosing to retire without your employer's consent to unreduced benefits, the benefits in respect of the transfer-in will be reduced for each year and part-year earlier than either 60, 63.5 or 65 years of age depending on which service period they were received. USS will clarify how this affects you through your retirement quotation.

Transfer values agreed on or after 1 April 2009

If you are retiring under the flexible retirement terms, please refer to the [Flexible Retirement](#) factsheet on www.uss.co.uk

If you agreed a transfer-in to USS on or after 1 April 2009, the benefits granted will be payable in full from NPA (currently age 65), or the NPA applicable at the time of transfer. However, there was a transitional period so this may be earlier, please refer to the offer letter you received at the time of the transfer which will clarify this. If you draw these benefits early, except in the case of incapacity retirement, the benefits in respect of the transfer-in will be reduced for the years and months earlier than NPA. This also applies if you leave the scheme early and then decide to draw your benefits before age 65.

The exception for transfers held by the scheme for more than seven years applying to transfers agreed before 1 April 2009 does not apply to transfers agreed after 1 April 2009.

Pension increases

More information about pension increases are contained in a separate factsheet entitled [Retiring from the scheme](#), available on www.uss.co.uk

Lifetime allowance

HM Revenue & Customs (HMRC) limits the amount of tax privileged benefits you can receive from a UK pension scheme. This limit is called the Lifetime Allowance. For more information, please see the [Lifetime Allowance factsheet](#) on www.uss.co.uk

Annual allowance

A limit called the annual allowance (AA) is set by HMRC to the maximum amount of pension you can accrue in a year and still receive tax relief. For more information, see the [Annual Allowance factsheet](#) on www.uss.co.uk

Working after retirement

With the exception of 'flexible retirement', in order to take 100% of your accrued pension, you must terminate your current pensionable employment.

You would not be deemed to have retired if you intend to commence another job with your current employer, or with any other employer that participates in USS, that is pensionable in USS. If however, after you have retired you are subsequently offered new employment, your employer may have a duty to enrol you into a pension scheme. You will need to seek advice from your employer as to your eligibility and whether you are able to rejoin USS. Further information can be found on the USS website at www.uss.co.uk

You should note that your total income, including your pension, will be assessed for income tax.

If you have retired on the grounds of incapacity, please note that the rules state that the trustee may either:

- Withdraw or suspend that pension for periods up to normal retirement age if the trustee determines that you are no longer suffering from incapacity; or
- Withdraw an enhanced incapacity pension and grant a non-enhanced incapacity pension if USS 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 USS in writing.

Deductions from benefits (former final salary section members)

If you have been credited with pensionable service in USS in respect of a period of employment either before joining the scheme (other than as a result of a transfer payment) or in respect of an earlier period of membership of USS, 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.

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 wish to investigate this option, you should ask for a quotation of the cost shortly before you are due to retire.

If you contributed to the State Second Pension (S2P) during a period of service with which you have been credited in USS (e.g. whilst a member of FSSU during any time from 6 April 1978 to 5 April 1980), a deduction will be made from your USS pension commencing from the date of your retirement or, if later, the date you reach state pension age. The amount of the deduction will be equivalent to the amount of additional pension which you earned in S2P during the period of service for which you were given credit in USS and which you will be paid directly by 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 the amount is revalued each year. The trustee can, however, calculate the current 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 receive a one-off lump sum payment rather than the small pension income. You will be advised if this is an option for you.

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, available on www.uss.co.uk

Appendix One – Early retirement and how it affects your pension

Early retirement

Joiners since 1 October 2011

If you first joined USS on or after 1 October 2011 the early retirement terms are much easier to explain.

If you retire before NPA, with the exception of incapacity retirements, early retirement reductions apply. The amount of the reduction is approximately an average of 4% for each year and part-year earlier than NPA. So, if you retired five years early the benefits you had built up would be reduced by approximately 20%.

Joiners before 1 October 2011

This is far more complex and depends on your age when you retire, but also the reason for retirement and your contractual pension age (CPA) at 30 September 2011. So what is a CPA? USS considers your Normal Pension Age (NPA) to currently be age 65. That's normally the earliest age you can receive the full amount of benefits you have earned, without a reduction for early retirement.

However, in the past, contracts of employment could have conferred a different, possibly lower, retirement age (but not less than age 60) and therefore you may have had the right to retire earlier than USS's NPA. If that was the case then you could have drawn the full amount of benefits you had earned in the scheme at that point. USS defines this as your CPA. The CPA only applies to membership built up before 1 October 2011. Therefore, when calculating any early retirement reductions these may apply for each year earlier than your CPA for certain periods of your membership built up before 1 October 2011. For any membership since 1 October 2011 the early retirement reductions apply for each year earlier than USS's NPA. You will see reference to this in the examples in this factsheet.

There is an exception to the general early retirement terms for members that were age 55 or more on 1 October 2011 (exempt members). If you were 55 or over on 1 October 2011 and a member of USS as at 30 September 2011, then you may be able to draw your full unreduced benefits (for all service) from age 60 onwards, so long as you have the consent of your employer. Please see the examples in the tables below.

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

All members

The way in which the early retirement factors are applied is complex, partly due to historic sex equality legislation but also due to changes in the scheme rules. For service before 1 October 2011, it also depends on what your contract of employment as at 30 September 2011 specified as the earliest age you can retire, i.e 60, 65 or later, or something in between 60 and 65. Please note, from age 60 and with over five years pensionable service, if your employer consents, you can receive pre-October 2011 benefits without reduction for early retirement (except Lump Sum AVCs).

Because of the sex equality issues, the application of the early retirement factors differs between men and women in respect of service before 17 May 1990. The way in which these reductions apply for cases of early retirements is as follows:

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 their USS benefits if retiring from active employment at age 60 due to their CPA 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

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, i.e. up to your proposed retirement date (normally age 65), 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 will be credited with the full amount of benefits. Additionally, the benefits will be reduced by an Early Retirement Factor based on the number of years and months you are retiring earlier than you agreed when you started the arrangement.

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

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

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 63½.

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.