

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 (NPA) in USS is currently 65.
- If you're retiring due to ill health, you may be able to access your benefits immediately.
- You may be able to retire early from age 55 but your benefits will be reduced as they are being paid earlier.
- If you are an active member, you also may be able to consider flexible retirement, if your employer agrees.
- If you are an active member you can retire later than NPA.

USS pension scheme

There are currently two sections of USS that work alongside one another. Some members will also have benefits which were accrued in the final salary scheme which closed on 31 March 2016.

| 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 (£58,589.70 for 2019/20*). | 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. You can find more information on My USS . |
| 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 from 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 (subject to HMRC limits). | 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 a tax-free lump sum (subject to HMRC limits), as a series of cash payments (UFPLS) 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 TRA up to date. With these options, we invest your contributions in a mix of investment types, which will gradually switch from 'growth' to 'moderate' to 'cautious' as you get closer to your TRA.

Growth investments offer the opportunity for the highest possible return on your pension savings, but also have a higher level of risk. As you approach your TRA, the mix of investments will move towards a lower risk approach with the aim of providing greater certainty about the value of your pension savings as you get closer to retirement.

If this applies to you, you'll need to go to the 'manage my investments' page in [My USS](#) to set your TRA. We need to know this so we can switch your investments at the right time. If you don't set a TRA, it will default to your NPA (currently age 65).

Changing the age at which you retire

Normal retirement

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

Early retirement

If you retire early your benefits may be reduced for being paid earlier and longer. The earliest you can retire from is:

- 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, you are aged 50 and above and you've been a member of USS continuously since 5 April 2006, you can retire immediately.
- 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, but no later than age 65.

Late retirement

As you reach NPA you have a choice if you intend to continue working. You can either continue contributing to the scheme (this is the default), or you can cease to contribute from NPA. With both options your benefits accrued up to NPA will receive an additional increase once you retire as they are paid later than intended. You will also be covered for death in service and incapacity. If you continue to contribute you will continue to accrue benefits as you do now but, they won't receive any additional increases for late payment.

If you choose to carry on paying, cease after NPA but before you retire from your post, you will become deferred. You will no longer be entitled to additional increases on benefits accrued before NPA and, you won't be covered for death in service and incapacity.

With any of the three options above, you don't need consent to retire and receive your benefits, but you will need to have ended your USS pensionable employment to draw your benefits.

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 and salary by at least 20%. Read the [Flexible retirement](#) factsheet, for more information.

Taking your money

Approaching retirement

If you save in the USS Investment Builder, we'll contact you six months before your TRA or NPA, whichever is sooner, to explain the different ways you can take your money. This won't be a retirement quote, just a wake up letter to let you know your retirement is on the horizon. 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 NPA.

The USS Retirement Income Builder

The standard option is a tax-free lump sum of three times the gross value of your USS Retirement Income Builder pension, but, you can take more or less cash, and receive a higher or lower pension. Use the [benefit conversion tool](#), 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. 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, via an UFPLS, or leave it invested until later.

In the 5-10 years before you retire, it's important to consider how you'll take your money. Further information about investment choices can be found on [My USS](#). 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 (UFPLS) | Withdraw some or all of your pot from the USS Investment Builder as cash to use however you want. See UFPLS factsheet for more information. |
| AND/OR | |
| Combine your savings with your USS Retirement Income Builder to boost your income and / or cash. | Use your USS Investment Builder pot to supplement the monthly income and / or tax-free cash you'll receive from the USS Retirement Income Builder. |
| AND/OR | |
| Transferring out** | You could choose to transfer your USS Investment Builder pot to another pension arrangement. Other providers may offer alternative options such as flexi-access drawdown or annuities. |
| AND/OR | |
| Leave your money invested* | You could choose to leave your savings invested. You could take an UFPLS after your retirement or leave your savings for your beneficiaries when you die. If you do so, you may need to consider inheritance tax implications. |

**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.*

***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.

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 take Flexible Access Drawdown or UFPLS, any future contributions to a defined contribution arrangement (such as USS Investment Builder) will be subject to the Money Purchase Annual Allowance (MPAA) which is the limit on how much you and your employer can contribute tax free. For more details, please see our [Annual Allowance factsheet](#).

Money Purchase AVCs (MPAVC) with Prudential

You have additional options to the above, 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.
- Your fund can be taken as part of your tax-free cash when you retire from the USS Retirement Income Builder, which means you'll receive a higher USS pension.
- You could transfer your pot to a choice of different companies which may offer different levels of income and options such as an annuity, UFPLS or Flexible Access Drawdown.
- You could switch your Prudential pot to the USS Investment Builder and take one or more UFPLS. Please refer to the [Switching Money purchase funds to the USS Investment Builder factsheet](#) for more information.

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 Lifetime 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.

Pension increases

The pension you receive from USS will be increased annually in line with inflation. 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 or reduced by at least 20% in the case of flexible retirement. You wouldn't be considered retired if you started another USS-eligible job with any employer that participates in the scheme, even if you intend to opt out.

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.

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

- Withdraw or suspend that pension for periods up to normal retirement age, if USS 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).

Please refer to the [Incapacity factsheet](#) for further information. If, at any time, you consider the above applies to you, please inform us in writing.

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

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

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

- Your pension income and / or lump sums will be paid to your bank (see working overseas if you don't have a UK bank). If any tax is payable we will deduct this first
- Your pension will be paid in monthly instalments on 21st of each month
- Your pension will be subject to income tax - speak to HMRC if you have any queries.
- You'll get a payslip when you receive your first payment, and then annually each April.

More details of how your benefits will be paid are included 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.

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