

# Guide to your university pension

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**Points of interest and Q&A  
session on pensions and USS**

**February 2024**



# Common questions to cover

- What are the basic benefits of the scheme?
- How do I transfer-in benefits to my Investment Builder?
- How do I make additional contributions?
- Why don't the benefits I have accrued in the scheme match the contributions I have made?
- What is an accrual rate?
- My contract is less than 2 years, is it worth staying in the USS scheme?
- I am not from the UK, what happens to my benefits if I move back overseas?
- What happens to my pension if I reduce my hours or have a period of unpaid absence?



# The basis for this presentation

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- *Neither these slides nor the presentation constitute commercial, financial or legal advice; they are not a substitute for specific advice concerning individual situations*
- *If you're looking for personalised money or pensions advice or specific product recommendations, you'll need to see a regulated financial adviser. Find out more about when and how to get professional advice in Money Helper's [guide to financial advice](#)*
- *Changes to USS have recently been agreed – and this presentation anticipates those changes (to benefits and contributions) are implemented*
- *Every effort has been made to ensure that the slides and presentation are factually correct. The USS schemes rules are the primary reference point and in the event of any inconsistency between this publication and the trust deed and rules, the scheme rules will prevail*
- *The views expressed in this presentation are those of the speaker, and not of the University nor of the USS trustees*

# What are the basic benefits of the scheme (USS)?

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- There are two main types of pension, DB and DC – and USS has both, providing DB up to a salary threshold, with DC above
- Each are different; the crucial issue is the level of contributions paid-in

Defined Benefit	Defined Contribution
Delivers a promised level of retirement income at retirement	A fund of money is built-up and invested, and used to provide income at retirement
In USS's case, a separate lump sum is paid in addition to the pension income	You can choose how you want your money invested, from the choices available
Pension and lump sum amounts can be exchanged, for example give up pension to increase lump sum cash	Up to 25% of the fund can be drawn as tax-free cash
Can normally be accessed from age 55* but benefits reduced for early payment	There are flexible options for drawing money from the fund from age 55*
You can find out more at Money Helper about <a href="#">Defined Benefit pensions</a> , and <a href="#">Defined Contribution pensions</a>	

\* The Normal Minimum Pension Age will increase to age 57 from April 2028



## The main benefits of USS

The crucial element of a pension is the regular income payable for life, but key features also include:

- Inflation proofing of the pension payments, subject to specific rules
- A separate tax-free lump sum on retirement
- A lump sum death grant in event of death in service (3 times salary) – \*complete expression of wish\*
- Pension for beneficiaries following death – spouses, civil partners, dependants, children
- Benefits payable early in event of ill-health, which can be enhanced
- Benefits payable upon early, flexible, late retirement
- Transfers into and out of scheme are permissible, and benefits for early leavers
- Now much lower cost – 6.1% of salary, with tax relief, and salary sacrifice

# Q. How do I transfer-in benefits to my Investment Builder?

- If you have pension rights in another registered scheme, these may be transferrable to USS's investment builder (DC section)
- It's not always advantageous to transfer – you should think very carefully especially if your previous rights are DB
- You may want to seek independent financial advice, required where transferring safeguarded benefits >£30,000 in value
- Complete the form in MyUSS ... the whole process can take some time



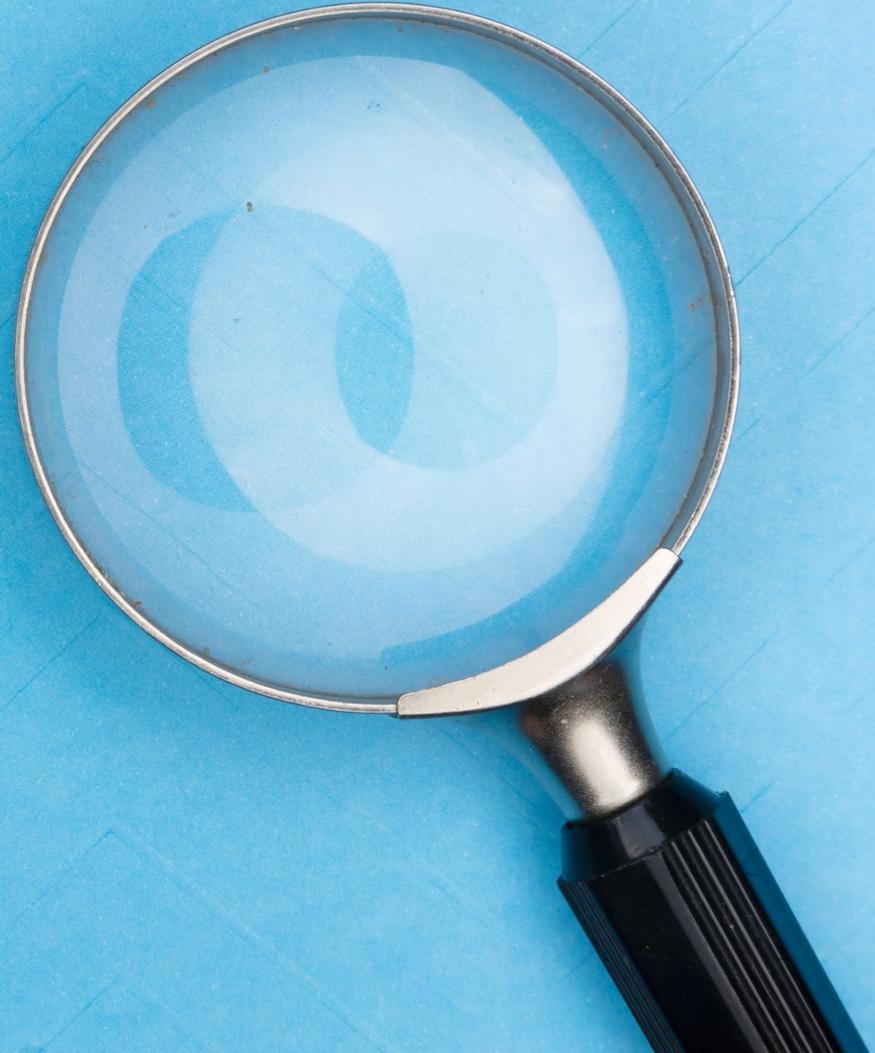
# Q. How can I make additional contributions?

- You can make additional contributions into the USS investment builder (DC section) through **MyUSS**
- You can choose how much extra to save (by % or fixed sum), and you can change it
- Attracts tax relief, so every £1 invested costs 80p for standard tax-payers
- Build-up your pension savings pot, which can be used in different ways:
  - take your savings as tax-free cash (subject to HMRC limits)
  - withdraw up to four [cash payments](#) each year without having to retire (UFPLS)
  - move your Investment Builder savings to a [drawdown product](#), where you can take money from it as and when you need, while it's still invested
  - use it to provide you with a guaranteed pension income by purchasing an annuity [[See Factsheet](#) and [Benefit calculator](#)]



# Q. Why doesn't the fund I have built-up in the scheme match the contributions I have made?

- A common question, which arises when comparing the contributions paid to investment builder (in MyUSS) with contributions on the payslip
- The contributions shown in MyUSS are ONLY those paid to investment builder – on salary above the threshold, and/or as additional contributions
- The contributions paid to the income builder (DB section) of USS are not directly shown
- Contributions to investment builder are a total of 20% of salary above the threshold (6.1% member, 13.9% employer)



## Q. What is an accrual rate?

- In defined benefits (DB) schemes pensions and other benefits build-up at a specified rate – in USS, and in many other schemes, this is referred to as an ‘accrual rate’
- For *pension*, the USS accrual rate is 1/75th of salary (up to the threshold) each year
- The DB section involves the accumulation of yearly credits, each inflation proofed under set rules through to retirement
- There is a separate lump sum in USS, which is calculated at the accrual rate of 3/75ths of salary (up to the threshold) for each year

## Q. My contract is less than 2 years, is it worth staying in the USS scheme?

- Contracts may be renewed and advantage in starting a pension as soon as possible
- Tax relief on contributions and attractive range of benefits – with pension and lump sum even if <2 years
- Cover for death in service including pensions for eligible beneficiaries
- Refund of member contributions can be paid if <2 years’ service (if not salary sacrifice)



## Q. I am not from the UK, what happens to my benefits if I move back overseas?

- Many members move or return overseas and their USS pensions are payable to them
- If resident overseas, tax will usually be paid in resident country
- Option to transfer USS benefits exists, must be recognised scheme (ROPS)

## Q. What happens to my pension if I reduce my hours or have a period of unpaid absence?

- If you're absent through sickness then you will have deductions made from your pay and membership will continue whilst you are paid
- If secondment or other approved absence, you can ask for contributions to continue as though on full pay, or elect for cover for death /incapacity purposes
- Parental and family leave have [their own special rules](#)

# Tax relief and salary sacrifice

## Salary sacrifice – what is it, and how does it work?

- A further way to save money on your pension contributions. It works by lowering your national insurance contribution
- It is used widely, and most employees are automatically entered into salary sacrifice from the fourth month of their employment, but you can check on your payslip
- The University pays your pension contribution on your behalf, in return for lower salary; your lower salary reduces your NI contribution
- Further information can be gained at <https://www.southampton.ac.uk/hr/services/uss-and-pasnas-pension-contributions/uss-and-pasnas-pension-contributions.page>



# Avoiding pension scams

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- Be extremely wary of any contact which encourages you to transfer your pension
- Often people are contacted out of the blue; it is illegal to do this and it should be reported to [Action Fraud](#) and alert the University pensions team
- These contacts try to apply pressure to make quick decisions, guaranteeing high investment returns
- They often provide for you to access your pension before 55
- They also can include an offer of one-off investments, time-limited offers, upfront cash incentives, free pensions reviews, legal loopholes or government initiative
- **If it sounds too good to be true it usually is**

# A source of good, impartial information

## Money Helper

**Looking for pension guidance?**

Phone: **0800 011 3797**

Webchat: [moneyhelper.org.uk/pensionschat](https://moneyhelper.org.uk/pensionschat)

**Or, if you're over 50 with a defined contribution pension, use our Pension Wise service to discuss your options:**

Phone: **0800 138 3944**

Online: [moneyhelper.org.uk/pensionwise](https://moneyhelper.org.uk/pensionwise)

**Looking for money guidance?**

Phone: **0800 138 7777**

Webchat: [moneyhelper.org.uk/moneychat](https://moneyhelper.org.uk/moneychat)

For help with managing your money in uncertain times visit [moneyhelper.org.uk/en/money-troubles/way-forward](https://moneyhelper.org.uk/en/money-troubles/way-forward)

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# Questions and Answers