USS

Seven good reasons to be a member of USS

Saving into a pension is one of the most sensible financial steps you can take for your retirement. However, not only are you putting something aside for the future, you're also getting a contribution from your employer for doing so, along with some help from the government in the form of tax relief.

This guide explains the benefits of being a member of USS.

Benefits of being a member

When you start work in a USS eligible role, you will automatically join the scheme. But you do, of course, have the right to opt-out. Before deciding against being a member of USS, please consider what you'll be missing out on:

1 **A significant contribution from your employer**

Your employer currently pays a monthly contribution equal to 21.1% of your salary, while you pay 9.6%.
The cost from your take-home pay is less than this, as you get tax relief on your contributions. Further tax relief is available to you if your employer offers salary sacrifice for pensions savings.

2 **The USS Retirement Income Builder benefits**

You build up retirement benefits based on a formula of 1/75th of your salary up to the salary threshold (currently £58,589.70 for 2019/20). The principle benefits are:

- An income for the rest of your life from retirement; and
- A tax-free lump sum at retirement.

3 **The USS Investment Builder**

If your salary is above the salary threshold (currently £58,589.70 for 2019/20) you build up a fund in the USS Investment Builder based on contributions by you and your employer. The amounts paid into your USS Investment Builder are:

- 8% of your contributions on salary above the salary threshold; and
- 12% of your employer's contributions on salary above the threshold.

The remainder of your contributions and your employer's contributions fund the USS Retirement Income Builder. You can choose to make additional contributions to the USS Investment Builder.
With the USS Investment Builder you have the choice of where you **invest your contributions** and how you **take your savings when you retire.** For example, you might choose to take the funds as a tax-free lump sum (subject to HMRC limits) or use the funds as a regular source of income. Or, anytime from the age of 55, you can take **cash payments** of some or all of your USS Investment Builder savings, known as UFPLS.

4 **Pay more, get more by paying additional contributions into the USS Investment Builder**

The better your investments perform, the more money will be in your retirement fund. Your employer has made a commitment to subsidise the majority of the fees on your investments for the foreseeable future, so you won't have these charges deducted from your contributions.

5 **Protection if you die**

When you are an active member you are covered for:

- A lump sum of three times your annual salary; plus
- A pension for life for your spouse/partner; plus
- Pensions for eligible children.

6 **Protection if you have to give up work due to incapacity**

Subject to satisfying USS eligibility criteria (including qulaifying service), a pension for life and tax-free cash would be provided if you can't go on working because of partial or total incapacity as a result of long-term illness or injury.

7 **Pension increases**
Valuable increases to your pension when you receive it.

We hear lots of reasons why individuals choose not to join, such as:

I can't afford the contributions

If cost is a concern, remember that you do get some help from the government in the form of tax relief. This means your income tax bill is reduced if you pay into a pension scheme like USS.

> **For example**
> If we assume you earn £34,000 a year, the gross monthly contribution is £272 which, after tax relief of £54.40, makes the actual cost to you from your take-home pay £217.60 per month, so it's less than you might think.

Also, if your employer operates a salary sacrifice arrangement, then the actual cost will be even lower as you will pay less National Insurance.

And remember – if you don't join your employer won't be paying 21.1% towards your retirement benefits.

I'm too young to start a pension

The sooner you start saving the better, and remember, you're getting contributions from your employer – and tax relief.

I may not stay with this employer or join another USS participating institution

It may still be worth you joining the scheme because, if you become a member of USS and later decide to leave the scheme, you have a number of different options.

If you have less than two years' qualifying service, you may choose a refund of your own contributions or a deferred pension and lump sum in USS based on the value of your contributions to the scheme. Alternatively you can transfer the value of your benefits (including the value of employer contributions) to another approved pension arrangement. If you were part of a salary sacrifice arrangement for standard USS pension contributions, no refund would be due as your employer pays your contributions on your behalf.

Of course, if you decide to move to another employer within higher education, it's possible you will be able to remain a member of USS.

I am from overseas and I plan to return soon. It's not worth me joining

This may be true but, even if you plan to leave the UK, we can still pay your benefits when you reach retirement age, or you might be able to transfer your benefits to another scheme in the UK or overseas.

And remember, whilst you're paying into USS you benefit from valuable life and incapacity cover.

What happens if I don't join?

If you decide that you don't want to join the scheme, you will need to consider how you will fund your retirement. You may need to rely on savings, or alternatively, state benefits. Further information about how much state benefit you may be entitled to is available from **www.gov.uk**

I still want to opt-out

If you have decided that you want to opt-out, you need to complete the relevant opting-out form. Your employer will then submit this information to USS. If you opt-out within three months of joining, your employer will arrange to reverse the contributions you have made, making adjustments for tax relief you may have received. If you have paid into the scheme for more than three months your employer will let us know you are opting-out and we will process the benefits due to you and advise you accordingly.

The **'Leaving the scheme'** booklet, available on our website, has further details of the benefits you could receive on leaving. If you change your mind after opting-out, you may re-join at a later date but you may not qualify for a total incapacity pension should you need to retire within the first five years after re-joining.

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.