THE UNIVERSITIES SUPERANNUATION SCHEME (USS)

Information for UCU members on contracts of less than two years

UCU
University and College Union

What is the Universities Superannuation Scheme?

The USS is the hybrid pension scheme offered mostly to academic and related (professional services) staff in the pre-92 universities. It has a defined benefit pension, which guarantees you an income at retirement, and a defined contribution pension, which gives you a flexible savings pot. Currently there is a salary member contribution of 6.1%.

Depending on the nature of your contract, you may be automatically enrolled into the scheme although you will have the option to ‘opt out’ of the scheme if you so wish.

To find out if you are in the USS contact your employer and check your pay slip which should show the relevant deductions.

For casualised staff on short-term contracts, it is important to understand what happens to your pension contributions if you leave your employment, especially if you have less than two years’ service.

Leaving the scheme?

Once you leave employment your employer will let USS know.

They will then write to you to confirm the options available to you and where to find out more.

Less than two years' qualifying service

If you’ve less than two years’ qualifying service when you leave USS you may choose any one of the following options:

Option 1

A refund of your own contributions, but not those paid by your employer, less statutory deductions of tax. You won’t be able to

receive a refund of any contributions paid on your behalf under a salary sacrifice arrangement. If you transferred savings from a personal pension into USS, you won't be able to receive a contribution refund – in that case, under legislation, you automatically become entitled to a deferred pension and lump sum. If you choose a refund then, in respect of your contributions (including any additional contributions you choose to make) to the Investment Builder – the defined contribution part of USS – you'll receive the accumulated value of your savings. This will include any investment returns on those savings, and will also have any statutory deductions of tax taken from it.

Option 2

A deferred pension and lump sum in USS - these benefits are payable from Normal Pension Age (NPA) but you can take them early at any age from 55 onwards (rising to 57 for some members in 2028). If you choose to take benefits earlier than your NPA, they'll be reduced to reflect the early payment. These benefits will be increased both before and after you retire in line with USS's standard pension increases. You'll have the same options at retirement as other members, so you can choose to swap some of your pension for more lump sum, or vice versa. If the value of your benefits in USS is small, you may also have the option of taking them as a one-off lump sum.

Option 3

A transfer of the value of your USS benefits to another registered pension arrangement, or a qualifying registered overseas pension scheme. You don't have to transfer straight away if you haven't yet retired or reached the NPA. Once you're receiving your Retirement Income Builder benefits and/or you've reached NPA, you'll no longer have the option to transfer your benefits out of USS. If you leave USS and then decide to transfer your benefits to another arrangement at a later date, the transfer value will be recalculated and could be higher or lower than when you left service. We don't charge you to transfer your benefits and savings out of USS. But other schemes may have charges, admin costs or investment fees, so it's important to do your research and compare these charges so you're in the know.

Option 4

Any Investment Builder savings – you'll have the same options in relation to these, but you won't be able to make any further contributions once you've left.

Salary Sacrifice

Salary sacrifice is an alternative way to build up your pension. It means you can agree to give up the part of your salary that you would usually pay towards your pension, and instead your employer will pay your contributions for you. Because of this, you (and your employer) could pay lower National Insurance contributions, which can mean higher take-home pay.

However, there are reasons why this may not be right for you. For example, if you're with USS for less than two years and you use salary sacrifice, you'll still be able to choose to keep pension benefits in USS or transfer them to another scheme. However, you won't have the option to get a refund of contributions when you leave. It may also affect the amount you're eligible to borrow, if you're looking for a mortgage or other finance. You should speak to your employer for more details.

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