Why join USS?

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

This guide explains some of the reasons you should give serious consideration to joining USS.
Why join the scheme?
Seven good reasons to be a member of USS

When you start work, you will automatically be entered into the scheme, assuming your employment qualifies you. 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 18% of your salary, while you pay 8%.
   The cost from your take-home pay is less than this, as you get tax relief on your contributions.

2. **Employer match**
   If you can afford to pay at least 1% more of your salary into USS your employer will automatically match 1% as a contribution from them. These contributions are paid into the USS Investment Builder. The contributions from you and your employer are then invested to provide additional funds to be used when you retire.

3. **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 (£55,000 a year from 1 October 2016). The principle benefits are:
   a) An income for the rest of your life; and
   b) A tax-free lump sum.

4. **USS Investment Builder from 1 October 2016**
   You build up investment funds based on contributions by you and your employer on any salary above the salary threshold (£55,000 a year from 1 October 2016):
   a) You pay 8% on salary above the salary threshold; and
   b) Your employer pays the equivalent of 12%, of your salary above the salary threshold, into your USS Investment Builder.
   You may wish to make additional voluntary contributions to the USS Investment Builder.

   With the USS Investment Builder you have the choice and flexibility around how you take these funds at retirement. For example, you might choose to take the funds as a tax-free lump sum or use the funds as a regular source of income.

5. **Protection if you die**
   You are covered for:
   a) A lump sum of three times your annual salary; plus
   b) A pension for life for your spouse/partner; plus
   c) Pensions for eligible children.

6. **Protection if you have to give up work due to incapacity**
   Subject to satisfying USS eligibility criteria, 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 £227 which, after tax relief of £45, makes the actual cost to you from your take-home pay £182 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 18% towards your retirement benefits.

I’m too young to start a pension
We all should know by now that this just isn’t true. The sooner you start saving the better, and remember, you’re getting a big help from your employer – and from the tax man.

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 full 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 the full value of 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, then 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 the 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. Every effort has been made to present accurate information at the date of publication and 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.