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 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. 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 £55,550 for 2017/18). 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 £55,550 for 2017/18) you build up a fund based on contributions by you and your employer:
   - You pay 8% on salary above the salary threshold; and
   - Your employer pays the equivalent of 12% of your salary above the salary threshold into your USS Investment Builder.

   You can choose to make additional contributions to the USS Investment Builder, including the match.

   With the USS Investment Builder you have the choice of where you invest your contributions and how you take your benefits 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.

4. The match
   If you can afford to to make an additional 1% of your salary into USS by taking the match, your employer will match this with an additional 1% contribution. You can choose to contribute more if you wish to, but your employer will only match the first 1%. 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.

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 qualifying 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.
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
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 later 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.