USS EMPLOYER CONSULTATION 2021

FACTSHEET: USS Early Leaver benefits

Introduction

This factsheet explains the USS Early Leaver benefits and the proposed changes to those benefits which are being consulted on as part of the USS Employer Consultation ("consultation").

What are Early Leaver benefits?

The aim of pension schemes like USS is to provide retirement benefits for members, but this doesn't only mean members who stay in USS until they retire.

For various reasons individuals may be contributing to USS for only a part of their working lives – for example they may get a new job outside Higher Education. Individuals who build up benefits in pension schemes, but stop contributing before retirement, are commonly called "deferred members" or "Early Leavers". USS provides benefits to Early Leavers as well as to members who continue to contribute to USS until they retire.

If a member leaves USS before retirement then they have different options regarding what they can do with the benefits that they have built up prior to their date of leaving. Those options depend on how long they were a member of USS for plus any time they were paying in to another pension (not including a personal pension) that they transferred to USS.

The benefits that an Early Leaver builds up in the Retirement Income Builder will also increase every April from the date they stop paying into USS until the date they start taking their benefits. The increases that are applied are in line with the increases to official pensions which are broadly increased in line with the Consumer Prices Index (subject to certain caps).

If someone leaves USS before retirement, what are their options currently?

For most people, unless they choose otherwise, their deferred benefits are kept in USS until they reach the scheme's Normal Pension Age (which is currently 66 and will increase in future in line with increases to the State Pension Age). But the options available depend on the length of qualifying service (broadly the time they've spent as a USS member, plus any service transferred in) the individual has – see below:

- **If you leave USS with <u>less</u> than two years' qualifying service**

There are a choice of options , which are summarised below:

- take a refund of your own contributions, but not those paid by your employer (and so not including contributions paid by your employer in lieu of your own contributions under a salary sacrifice arrangement), less statutory deductions of tax;

- keep a "deferred" pension and lump sum in USS, the value of which is based on your own contributions to USS and contributions paid by your employer in lieu of member contributions under a salary sacrifice arrangement, multiplied by an actuarial factor, but not your employer's normal contributions during this period;

- transfer your full USS benefits (not just the value of your own contributions but the value of your employer's contributions as well) to another registered pension arrangement or recognised overseas pension scheme.

- Savings that you have built up in the Investment Builder will remain invested until you decide to take them.

- **If you leave USS with <u>two or more</u> years' qualifying service**

  - The refund option is not available.

  - you get the "deferred" pension and lump sum in USS, the value of which is based on your length of service and salary; or

  - You can choose to transfer your full USS benefits (not just the value of your own contributions) to another registered pension arrangement.

  - Savings that you have built up in the Investment Builder will remain invested until you decide to take them.

What changes are proposed?

It is proposed that, for individuals with more than three months' but less than 2 years' qualifying service, the deferred pension and lump sum option would be based on length of service and salary – i.e. it would be calculated in the same way as for those members who leave with more than 2 years' qualifying service. On average, this is likely to provide a larger deferred benefit for these members. There would still be refund options, and an option to transfer your full USS benefits to another registered pension arrangement or recognised overseas pension scheme.

For more information about why the changes are being proposed, please see the Summary page on the consultation website (ussconsultation2021.co.uk/members/summary).

What impact would these proposed changes to Early Leaver benefits, if implemented, have on you?

Firstly, if you already have more than 2 years' qualifying service in USS already, these changes won't affect you in any way.

And even if you don't, if you leave with more than 2 years' qualifying service in future, you won't be affected.

The only way you could be affected by the proposed changes, if they are implemented, is if you leave USS after 31 March 2022, with more than 3 months' but less than 2 years' qualifying service. If that's the case, your deferred benefits options would be as set out above.