

PENSIONS FAQ

NOVEMBER 2016

INTRODUCTION

This FAQ is based on questions submitted by postdocs at the point of registration to the events *PdOC After Work: Pensions* in November 2015 and November 2016. The answers were provided by Sue Curryer, head of the Pensions office at the University of Cambridge. *PdOC After Work* events are supported by funding from the Research Development Committee at the University of Cambridge.

GENERAL BENEFIT QUESTIONS

Q: I'm a new postdoc at Cambridge this year, should I do anything to sign up for the university pension plan, or am I signed up automatically?

A: in accordance with the terms of your employment and the rules of USS you are automatically enrolled in USS from the first day of your employment.

Q: What happens if you decide to opt out and not save for a pension at all?

A: Nothing. Your salary will not be increased to reflect the fact that the University is not contributing to a pension scheme for you.

Q: What happens with the money you and the University pay in each month?

A: The contributions are passed to the USS trustee which invests them. It is these investments which are used to pay your benefits when you retire. Information about how USS invests can be found on the USS website at <https://www.uss.co.uk/how-uss-invests/how-uss-invests-home>.

Q: The money that are paid in to the USS scheme, are they treated as strictly personal funds in the sense that it is that money (plus any returns on investments) and only that money that are paid to me after retirement, or are they treated as a form of “pension points” in a pool of common resources resulting in that the money that are paid after retirement are something like the fraction of my points with the total number of points multiplied with the total amount of money that happens to be in the system at that point in time when I will retire?

A: USS Income Builder is a defined benefit arrangement. There are no individual ‘pots’ and at retirement you receive a pension based on your salary and service whilst a member of the scheme.

USS Investment Builder is a defined contribution scheme and each member has a ‘pot’ which represents the contributions paid by the member, the employer and any investment growth. At retirement the member can use the pot to provide retirement benefits.

Q: How is the money invested? What is the current investment philosophy?

A: Information about how USS invests can be found on the USS website at <https://www.uss.co.uk/how-uss-invests/how-uss-invests-home>.

Q: How politically stable is this pension scheme, and is there any pressure from different groups to change the current system?

A: USS is a private pension scheme and is not under the control of the UK government. Any changes to USS would have to be agreed by the USS trustee and most changes would require a consultation with members before they could take place.

Q: Is there a minimum time one should be employed by the University for them to be able to transfer the pension?

A: No, but the calculation of the transfer value is different depending on whether you have less than 2 years’ service or 2 years’ or more service in USS.

Q: If I decide to get my money back and have no pension, do I have to wait until the end of my contract?

A: If you opt out of USS with less than 2 years' service you will receive any refund shortly after you opt out.

If you opt out with 90 days of joining the refund will be paid through the payroll and you will be treated as if you had never joined USS. If you opt out after 90 days the refund will be paid by USS and will only include your own contributions. You should note that you will automatically join the salary exchange arrangement for pension contributions after your third month in USS (unless you decide to opt out of the salary exchange arrangement). If you have been in the salary exchange arrangement for pension contributions, any refund paid by USS as a result of you leaving the Scheme within two years will not include any notional contributions paid under the salary sacrifice arrangement.

Q: What happens when you are on maternity/parental leave?

A: Whilst on paid leave you will continue to earn USS benefits as if you had been at work.

Q: Is there anything special for women who had children (as in France for example)?

A: No

Q: What about breaks in career (forced... *i.e.* end of contract)?

A: Whilst not in employment which gives eligibility for membership of USS you will stop earning benefits in USS. If you return to another employment which gives eligibility for membership of USS your membership will be restarted.

Q: Are there any restrictions to foreign nationals?

A: No, providing you are living and working in the UK you are able to join USS.

Q: My current contract with Cambridge Uni is less than 2 years long. How are my benefits affected by this? Would it be advisable to join USS if my next job is at another University institution? *I.e.* in

order to accrue the minimum of 2 years, but then leave the USS scheme after that? (I'm concerned about value for money- the amount I put in seems quite high for the returns that I will receive later on.)

A: It is not permitted for the University or its employees to advise whether it is in your interests to join (or remain in) USS.

Your USS benefits are based on your salary whilst a member of the scheme (subject to the salary cap) and the length of time you are a member of the scheme not on investment returns.

USS provides you with a pension for life which will be increased in line with inflation, subject to certain caps, when in payment. It also provides an increasing pension for your dependents in the event of your death.

Q: Are there any benefits (tax or otherwise) to contributing more salary to the pension fund (above that of the minimum self-contribution)?

A: You receive tax relief at your highest rate of taxation on any contributions you make to USS. The payment of additional contributions will provide you with higher benefits at retirement.

Q: Can I transfer private pension funds from Australia. Most of my pension funds are in Australia but I wish to settle here?

A: It may be possible to transfer funds from Australia to USS and you can ask USS to investigate this by completing and submitting the Transfer Request form which can be downloaded from the USS website at <https://www.uss.co.uk/members/members-home/resources/forms>. Any transfer payment would be invested in USS Investment Builder.

Q: Should I do anything right now to accumulate somehow my pension contributions from different countries? (I did a predoctoral contract in Spain, a postdoc one in the US, and now another postdoc one in the UK).

A: |The Pensions Office is not authorised to advise whether you should transfer other pension benefits into USS. you can ask USS to investigate this by completing and submitting the Transfer Request form which can be downloaded from the USS website at <https://www.uss.co.uk/members/members-home/resources/forms>. Any transfer payment would be invested in USS Investment Builder.

Q: From where/who you get information about your pension when you leave the country? Do you have to inform the university office you moved to another job?

A: Once you have left employment which gives eligibility for membership of USS any queries about your pension should be directed to USS and not the University Pensions Office. USS will automatically be notified when you leave and will then write to you with details of your leaving service benefits. In order that USS are able to write to you about your benefits you should ensure that if you are moving after you leave University employment the University's HR system is updated to show your post employment address.

TRANSFERS WITHIN THE UK

Q: Could the pension be transferred to a scheme in my bank, HSBC?

A: Provided that the scheme is a UK registered pension scheme and is able to accept transfer payments, you should be able to transfer your USS benefits. You should note that transfers can only be made between pension schemes, and it is not possible to transfer your USS benefits to another investment vehicle (e.g., an ISA).

Q: What happens if you take another job in the UK?

A: You can leave your benefits in USS or transfer them to the pension scheme of your new employer. If you take no action the benefits will remain in USS.

Q: Continuation of pension as you move institution?

A: If you move to another UK University which participates in USS and take up a USS eligible post your membership of USS will automatically continue.

Q: How to transfer the pension money to a new plan when switching employers within the UK?

A: Ask the administrator of your new pension scheme to contact USS and request details of the transfer value.

LEAVING THE UK

Q: Is there any point in making self-contributions to the USS if you know you will not be retiring in the UK?

A: USS can pay your pension to you when you retire even if you are not living in the UK.

Q: What if I am planning to move away from the UK?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: What are your pension options if you want to leave the United Kingdom?

A: You can leave your benefits in USS and these will be paid to you when you retire or you can investigate transferring your USS benefits to an overseas pension scheme provided this meets the requirements of the UK tax authorities.

Q: What happens to USS when leaving the UK (probably to another EU country)?

A: You can leave your benefits in USS and these will be paid to you when you retire or you can investigate transferring your USS benefits to an overseas pension scheme provided this meets the requirements of the UK tax authorities.

Q: What happens to USS when planning to move between several different countries in the future?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: What happens if you leave country?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: What happens if we decide to go back to our Country after the Post-doc position ends? Do we still get the pension?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: The main topic that I am interested in is what happens in the case of leaving the UK. I guess that is something that will be addressed.

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: If we have worked in another EU country before can we claim that money back or put it towards the UK pension? How does it work across EU countries?

A: If the benefits are in a private pension scheme you can ask USS to investigate whether they can be transferred into USS to provide you with additional benefits in USS. Generally USS will be able to accept money from any pension arrangement but the local tax (and social security) legislation which applies to the overseas pension scheme may not permit the transfer to USS. If you are interested in asking USS to investigate the transfer you can download the Transfer Request form from the USS website. Any transfer will be invested in USS Investment Builder.

Q: International pension options?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: I am interested in what will happen if I leave the UK?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: Convertibility out of the UK (in particular, other countries of the EU)?

A: Ask the administrator of your new pension scheme to contact USS and request details of the transfer value. This will only be possible if your new scheme meets the requirements of the UK tax authorities.

Q: If you move abroad when/how do you transfer your pension to an overseas fund?

A: Ask the administrator of your new pension scheme to contact USS and request details of the transfer value. This will only be possible if your new scheme meets the requirements of the UK tax authorities.

Q: Can the money be transferred to an overseas (US) retirement account without early withdrawal/tax penalties?

A: If the US pension scheme meets the requirements of the UK tax authorities and is able to accept a transfer payment then a transfer can be made. USS will not impose any early withdrawal or tax penalties.

Q: What happens if you leave the UK?

A: Your benefits will remain in USS, unless you decide to transfer them, and will be paid to you when you retire. It is important to tell USS if you move so they can contact you when you reach retirement age.

Q: What happens to your pension if you move institution, career and/or move abroad, what do you need to arrange for your pension if these things happen in your career, how and when?

A: If you leave USS before retirement age you should keep USS informed of any changes of address so that they can contact you about your pension when it falls due.

You can take your USS pension at any time after you reach the Minimum Retirement Age (MRA) in the UK, currently age 55. If you take it before your Scheme Pension Date (SPD), currently age 65, it will be reduced to take account of its early payment. If you want to take your pension before SPD you will need to apply to USS.

Q: Here is my main question: My contract in Cambridge is 3 years and I might move back to my home country afterward. I'm almost certain that I can't move my UK pension to a scheme in my home country, also don't think I want to wait till retirement age to get the pension back, so if this happens, can I at the end of the third year, opt out and receive my own contribution? From what I understood, opting out and getting your own contribution below 2 years of joining should be straightforward, but I'm not sure if this option exists beyond three years?

A: If you have more than 2 years' service in USS you are not eligible for a refund of your contributions. Pensions are a long term savings arrangement and you will not personally be able to access your USS benefits until you reach the minimum age for accessing pension benefits set by the UK government and/or as permitted under the rules of USS. This is currently your 55th birthday.

Q: Another question: Let's say after my contract in Cambridge, I move to industry and I transfer my pension to whatever company I move to. The exact amount that is in my pension pot will be transferred there, or it will be subject to tax, deductions, etc...?

A: If you are in USS Income Builder there is no individual pot for each member. The transfer value payable to another scheme is the amount the USS actuary estimates would have to be invested today to provide the promised benefits at retirement. USS do not make any deductions from this figure.

If you have a fund in USS Investment Builder your total fund will be transferred.

Q: Is it better to leave my pension under the management of a UK firm, or is it better to transfer it to a pension option in my next country of residence?

A: The University Pensions Office cannot advise you what you should do.

LARGER ISSUES

Q: How to pull together different UK pension?

A: It is possible to transfer benefits from other private pension arrangements to USS to be granted additional benefits in USS. It may be possible to transfer from USS to the pension scheme of another employer or to a personal pension arrangement. Private pension schemes in the UK are not required to accept transfers from other pension schemes but in most cases members will have a statutory right to take a transfer from a scheme.

Q: What happens to USS when the UK leaves the EU?

A: US S will not be affected by 'Brexit'.

Q: If it's within the scope, it would also be interesting to hear what happens to the general UK-pension when leaving the UK and move between several EU- and non-EU countries - how does this work in practice?

A: Information about the calculation of state pension benefits if you work in a number of EU countries is available from

http://europa.eu/youreurope/citizens/work/retire-abroad/state-pensions-abroad/index_en.htm

The UK also has reciprocal arrangements with a number of non-EU states.