Investing in your future
A guide to investing in the Investment Builder
Introduction

Investing in your future

USS has two sections that work together to provide you with benefits at retirement:

- The Retirement Income Builder, providing you with the security of a regular income in retirement. You can find more information about the Retirement Income Builder in the member area at [uss.co.uk](http://uss.co.uk).
- The Investment Builder, giving you flexibility to increase your pension savings for retirement and the opportunity to enhance those savings through investment returns. This guide will help you to understand this section of the scheme.

As a member of the Investment Builder, you can choose how your pension contributions are invested. It’s an important choice – one of the key ways to enhance your pension savings between now and your retirement is the return on your investments. The better your investments perform, the more money will be in your retirement fund to provide you with benefits when you retire. Your employer has made a commitment to subsidise the majority of the fees on your investments for the foreseeable future, so you won’t have these charges deducted from your contributions.

Making investment decisions about your pension savings might sound overwhelming – but it doesn’t have to be. USS has selected a range of investment options within the Investment Builder so some of the selection work has already been done for you. This guide is designed to help you understand the investment options available and to give you an overview of the points you should consider before you decide how to invest your pension savings.

If you’re not sure where to get started, check out the guide on the next page.

Inside this guide we have:

- More details about the investment choices available to you, including the **Do It For Me options** and the **Let Me Do It range of funds**;
- Information about how to **select or change** your investment choices, and what happens if you don’t make a selection;
- Things to think about as you **approach retirement**; and
- **Additional information**, if you want to learn more about investing your contributions.

Take the time to read this guide carefully, and don’t forget to review your investment choices regularly in **My USS** to ensure they remain appropriate for your own retirement plans.

Keep in mind that neither USS nor your employer can give you financial advice about how to invest in the Investment Builder. If you are not sure what is best for you, we recommend that you speak to an independent financial adviser (IFA) before making a decision. Please be aware that you may be charged a fee for any advice.
Do you want to make your own investment decisions as you approach retirement, or let USS do it?
Do you want to make your own investment decisions as you approach retirement, or let USS do it?

Okay – then there are three questions:

1. Do you want to be invested in the trustee’s default strategy, designed to be suitable for most members, or do you prefer to select an ethical investment approach?
   - Consider the USS Default Lifestyle Option
   - Consider the USS Ethical Lifestyle Option

2. At what age do you expect to retire? (You’ll need to set this as the lifestyle options change according to your Target Retirement Age (TRA) – see page 23)
   - Go to My USS to set your TRA

3. How will you use your money in the Investment Builder when you retire? (This helps you to decide if you need to make changes to your investments as you approach retirement – see page 24)
   - We’ll write to you ten and five years before your TRA with additional information and considerations
Do you want to make your own investment decisions as you approach retirement, or let USS do it?

Okay – then you can choose from a range of 10 funds

Close to retirement? These options may offer less risk
- USS Cash Fund
- USS Bond Fund

Still have some time? These funds may offer better opportunities for long term return, along with higher risk
- USS Cautious Growth Fund
- USS Moderate Growth Fund
- USS Growth Fund
- USS UK Equity Fund
- USS Global Equity Fund
- USS Emerging Markets Equity Fund

Willing to take a little more risk? Think about adding some of the equity funds to your choices

Have some specific beliefs? There are special funds available that avoid certain investments on ethical grounds, or invest according to Islamic principles
- USS Ethical Equity Fund
- USS Sharia Fund

Things to think about:
- Consider diversifying by picking more than one asset class (see page 27)
- Investment choices are in your hands – so consider how you may change your choices as certain life events happen and you approach retirement (see page 22)
Do It For Me – the lifestyle options

The lifestyle options are designed for members who prefer the trustee to manage their investments for them.
Do It For Me – the Lifestyle options

Who it is for

There are two lifestyle options: the USS Default Lifestyle Option and the USS Ethical Lifestyle Option. (Learn more by reviewing USS’s guidelines for ethical investments on page 29.)

If you do not make an investment selection, then any pension contributions you and your employer make to the Investment Builder will be invested in the USS Default Lifestyle Option (the default investment option for the Investment Builder), targeting your USS Target Retirement Age (TRA)—see page 23.

Keep in mind that your investment selections don’t need to be a one-time choice. For example, you could choose to invest in a lifestyle option now, and later switch to the self-select funds.

Risk and the USS Ethical Lifestyle Option

The USS Ethical Lifestyle Option invests in ethical investment funds. Because these funds’ investments are limited by the USS ethical investment guidelines, the USS Ethical Lifestyle Option is less diversified, and therefore has a higher level of risk, than the USS Default Lifestyle Option.

How it works

With the Do It For Me lifestyle options, your pension savings are invested for you in a mix of investment types which will change over time as you get closer to retirement. The lifestyle options will gradually move from “growth” investments, to “moderate growth” and then to “cautious” investments as you get closer to your Target Retirement Age (TRA). Why? Growth investments offer the opportunity for the highest possible return on your pension savings, but also have a higher level of risk, so the USS Default Lifestyle Option invests in these types of investments at a time when there are many years left for your savings to recover from any possible losses.

As you approach your TRA, the mix of investments will move towards a lower risk approach. The investment returns will probably be less than the growth funds over the long term with the aim of providing greater certainty about the value of your pension savings as you get nearer to retirement. If you do not set a TRA in My USS, it will automatically default to 65. You can change your TRA at any time.

The lifestyle options are designed to be most appropriate for members who would like to use the pension savings in the Investment Builder to fund part or all of their tax-free cash lump sum, and for those who wish to leave some of their Investment Builder invested to be accessed later than their TRA.
Do It For Me – the Lifestyle options

The pros and the cons
To help you decide which option is right for you, we have set out below some of the general advantages and disadvantages to investing in one of the lifestyle options. However, this is not a comprehensive list and whether these advantages and disadvantages apply to you, will depend on your individual circumstances:

Advantages

- Your investments will change automatically over time, so you don’t need to make the changes yourself as you approach your TRA.
- Your investments automatically become more diversified and more cautious as you approach your TRA. This is designed to provide you with greater certainty over the value of your money in the Investment Builder as you approach your TRA.
- The lifestyle options are designed specifically for USS members, to take account that for many members the Investment Builder will supplement their benefits from the Retirement Income Builder.
- If you change your TRA, your investments will automatically adjust to the appropriate investment mix in the de-risking process.

Disadvantages

- The lifestyle options switch to a 50/50 split between a cautious growth fund and a cash fund at your TRA. This approach is designed for members who wish to take their savings as a cash lump sum or leave some invested, and may not be appropriate for those who wish to do something else with their savings (for example, to purchase an annuity at retirement).
- Your investments will switch automatically, regardless of the market conditions. Depending on how different investments perform, it may turn out that you would have been better off switching at a different time (or not switching at all). Note that switching takes place gradually to mitigate some of the impact.
- If you don’t keep your TRA up to date, automatic switching may not occur at the appropriate time and your savings may not be appropriately invested.
Do It For Me – the Lifestyle options

Details of the investments

If you select a lifestyle option, here’s how your contributions will be invested:

**The USS Default Lifestyle Option**
- **Until 10 years before your Target Retirement Age**: You’ll be invested in the USS Growth Fund
- **Between 10 and five years before your Target Retirement Age**: You’ll gradually switch from the USS Growth Fund to the USS Moderate Growth Fund
- **From five years before your Target Retirement Age**: You’ll gradually switch from the USS Moderate Growth Fund into an equal split of the USS Cautious Growth Fund and the USS Cash Fund
- **At your Target Retirement Age (and onwards)**: You’ll be invested 50% in the USS Cautious Growth Fund and 50% in the USS Cash Fund*

**The USS Ethical Lifestyle Option**
- **Until 10 years before your Target Retirement Age**: You’ll be invested in the USS Ethical Growth Fund
- **Between 10 and five years before your Target Retirement Age**: You’ll gradually switch from the USS Ethical Growth Fund to the USS Ethical Moderate Growth Fund
- **From five years before your Target Retirement Age**: You’ll gradually switch from the USS Ethical Moderate Growth Fund into an equal split of the USS Ethical Cautious Growth Fund and the USS Ethical Cash Fund
- **At your Target Retirement Age (and onwards)**: You’ll be invested 50% in the USS Ethical Cautious Growth Fund and 50% in the USS Ethical Cash Fund*

*At present you can keep your money in the Investment Builder after your retirement age – and withdraw money up to four times per year (as allowed under the current legislation and USS rules, which are subject to change) – but there won’t be any further automatic switches in the investments after your retirement.
Do It For Me – the Lifestyle options

Details of the investments

Key

The USS Default Lifestyle Option
- USS Growth Fund
- USS Moderate Growth Fund
- USS Cautious Growth Fund
- USS Cash Fund

The USS Ethical Lifestyle Option
- USS Ethical Growth Fund
- USS Ethical Moderate Growth Fund
- USS Ethical Cautious Growth Fund
- USS Ethical Cash Fund

Please note that switching takes place on a quarterly basis, so is more gradual than suggested by the chart above.
**Do It For Me – the lifestyle options**

**When will you retire?**
If you select one of the lifestyle options, you’ll need to select your Target Retirement Age (TRA). This is important so that your investments can automatically be switched at the right time. If you don’t pick a TRA, the default TRA will be your Normal Pension Age (usually age 65, but it’ll change to age 66 from October 2020 when the State Pension age increases).

It’s important that you carefully consider the age you intend to retire and take your benefits from the scheme. You should check that USS has the right TRA for you. If not, the switching may start too early, in which case you might miss out on potential investment gains. Or, it could start too late, so you’re not in the right investments when you’re ready to take your money. You can set a different TRA at any time through My USS at [uss.co.uk/login](http://uss.co.uk/login) or by phoning the member service desk on 0333 300 1043. Please note that selecting a TRA does not lock you into taking your savings at a particular time and your TRA will not be shared with your employer.
Let Me Do It options

The Let Me Do It options are suitable for members who would prefer to be actively involved in making investment decisions.
Let Me Do It options

Who it is for

The Let Me Do It funds are designed for members who would prefer to be actively involved in making investment decisions or who want to follow a different approach to the Do It For Me lifestyle options for specific reasons. It may also be appropriate for members who don’t want to use their money in the Investment Builder in the way that the lifestyle options target (for example, if you wish to use your Investment Builder money to purchase an annuity at retirement, or if you plan to leave your entire savings invested for several years after your TRA).

Keep in mind that your investment selections don’t need to be a one-time choice. For example, if you choose to invest in the Let Me Do It funds now, it doesn’t mean that you can’t later switch to a lifestyle option, or vice versa.

How it works

With the Let Me Do It fund options, you have the option to invest your pension savings in the Investment Builder in one or more of the funds offered. With this option comes responsibility. **It is your responsibility to check in on your investments regularly and keep track of how the funds are doing.** You will also be responsible for making any necessary adjustments to keep you on track with your retirement plans.
Let Me Do It options

The pros and the cons
To help you decide, we have set out below some of the general advantages and disadvantages to investing in the Let Me Do It funds. This is not a comprehensive list therefore whether these advantages and disadvantages apply to you will depend on your individual circumstances:

Advantages

• You can invest as you see fit, picking from a variety of funds to choose the level of risk and return you are comfortable with.

• You have a variety of options, including some higher risk and some more cautious fund options if you are willing to take more risk for a potentially higher return or wish to take less risk for a potentially lower return.

• As you approach retirement, your investments should take account of how you want to use your money once you retire. From the available funds, you can choose the investments that are most appropriate for how you wish to take your pension savings at retirement.

Disadvantages

• You are responsible for selecting your funds, so you’ll need to:
  • understand the objectives and strategies of the available funds; and
  • make time to monitor your investments regularly and make any adjustments to help you meet your retirement needs.

• Your investments won’t automatically become more cautious over time, so you may need to regularly consider making switches to protect the savings you’ve built up for your retirement.

• If you change when you want to retire, you will be responsible for making any changes to your investments to keep your investment strategy aligned to your plans.
## Details of investments

The Let Me Do It investment fund options are shown in this table, along with a brief description of each of the funds.

<table>
<thead>
<tr>
<th>Type of fund</th>
<th>Fund name</th>
<th>Invests in</th>
<th>Risk Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling Liquidity (lower risk, lower return)</td>
<td>USS Cash Fund</td>
<td>Short-term money market instruments including deposits, commercial paper and short-term bonds.</td>
<td>Low</td>
</tr>
<tr>
<td>Bonds (low risk, low return)</td>
<td>USS Bond Fund</td>
<td>A mixture of different types of bonds issued by governments and companies across the world.</td>
<td>Low</td>
</tr>
<tr>
<td>Multi-asset funds (different risk levels)</td>
<td>USS Cautious Growth Fund</td>
<td>A mixture of investments including shares, bonds and private market assets.</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>USS Moderate Growth Fund</td>
<td>A mixture of investments including shares, bonds and private market assets. This fund will hold less bonds (and more shares and private markets) than the USS Cautious Growth Fund.</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>USS Growth Fund</td>
<td>A mixture of investments including shares, bonds and private market assets. This fund will hold less bonds (and more shares and private market assets) than the USS Moderate Growth Fund.</td>
<td>High</td>
</tr>
<tr>
<td>Equity funds (higher risk, higher potential return)</td>
<td>USS UK Equity Fund</td>
<td>Shares in UK companies.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>USS Global Equity Fund</td>
<td>Shares in companies across the world, including emerging markets.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>USS Emerging Markets Equity Fund</td>
<td>Shares in companies in emerging markets.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>USS Ethical Equity Fund</td>
<td>Shares in companies across the world, avoiding shares that don’t meet USS’s guidelines for ethical investment as detailed in Learn more on page 29).</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>USS Sharia Fund</td>
<td>Shares which are compliant with Islamic financial law.</td>
<td>High</td>
</tr>
</tbody>
</table>

There’s more information about each of these funds and their performance in the respective fund factsheet. These are available on My USS at [uss.co.uk/login](http://uss.co.uk/login), where you can also compare up to three investment funds in the fund performance chart. Please read the relevant fund factsheet carefully before making any investment selections.
Selecting and making changes

Once you have considered your options and decided how you want to invest, you can make your selections through My USS.

If you wish to invest in one of the Do It For Me lifestyle options, you should visit My USS to select your Target Retirement Age (see page 23 for more details).

It’s not a one-time decision!
It’s important to regularly review your investments and your retirement plans, to check they are still appropriate for your personal circumstances. You’ll receive annual benefit statements to show you the value of your pension savings and the fund factsheets and performance graphs will be updated quarterly on My USS.
Selecting and making changes

Investing your different contributions

Within the Investment Builder, you may have up to three different types of contributions.

**Normal contributions** – these are the contributions from you and your employer in relation to your salary above the salary threshold.

**Additional contributions** – these are the contributions you choose to make including The Match¹ if you elect to take it in My USS.

**Transfer contributions** – these are the contributions that you may have made through transferring benefits from other schemes or Prudential into the Investment Builder.

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¹ The Match is one type of additional contribution where you can choose to pay 1% of your salary to your Investment Builder pot every month.

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Within each type of contribution, you can select one of the Lifestyle options (either the USS Default Lifestyle Option or the USS Ethical Lifestyle Option) or choose from any combination of the Let Me Do It funds, but you can’t do both.
An important part of the decision about where to invest is to take into account how much you are paying for your chosen investment options.

The fees you pay for the funds will depend in part on where the money you’ve contributed to the Investment Builder has come from. For transfer contributions (with the exception of switches from Prudential Money Purchase AVCs (MPAVCs)), you will pay the fees before subsidy. For all other savings to the Investment Builder, including normal and additional contributions, and transfers from Prudential MPAVCs, you will pay the fees after subsidy. Both the before and after subsidy fees are shown on the fund factsheets on My USS.

The reason there are different fees payable on different types of savings is that all employers in the scheme have committed to subsidise some of the fees, up to a prescribed limit. This subsidy was agreed as a fixed amount of pensionable payroll and is expected to remain in place for a number of years. The fee you pay is the amount remaining after this agreed subsidy. Members who transfer-in to USS do not benefit from the employer subsidy and will pay the full investment management charge on that transfer.
Selecting and making changes
What do the fees include?

The pre-subsidy fees represent the total cost of investing in a fund and include fees for:
- The underlying investment managers within the investment option;
- Additional items payable by investment managers including custody, legal and administrative expenses;
- The investment platform through which the investment options are hosted;
- USS investment management services, including fund monitoring, managing asset allocations and investment manager selection and due diligence.

There are currently no other ongoing fees payable. In particular, administration costs are paid for by your employer, except in exceptional circumstances (see page 21). If you are paying the post-subsidy fees, then your employer is currently paying most or all of these fees for you.

The fees may look low compared to what you might pay within a Stakeholder or Personal Pension, or another retail investment product, such as an ISA. This is because USS has been able to take advantage of the significant market scale of USS to secure highly competitive fees from both the underlying investment managers and the investment platform provider. USS Investment Management is also able to offer its services at very little cost due to its ability to make use of existing expertise and infrastructure used for the Retirement Income Builder (the defined benefit section of the scheme).

In addition to the ongoing fees shown on the fund factsheets, you should note that you may incur transaction costs if you choose to switch between the available funds. More information on these costs can be found on page 21.
This is Mahmood. Let’s say Mahmood chooses to pay an additional 1% contribution of his salary. One month ago he also transferred in his MPAVCs with Prudential worth £5,000, as well as £10,000 from a previous pension scheme. All of these savings are now invested in the USS Default Lifestyle Option.

The value of Mahmood’s savings one month ago and today are shown in the table.

<table>
<thead>
<tr>
<th>Value of savings from his additional 1% contribution</th>
<th>Value today</th>
</tr>
</thead>
<tbody>
<tr>
<td>£100</td>
<td>£100.50</td>
</tr>
<tr>
<td>£5,000</td>
<td>£5,025</td>
</tr>
<tr>
<td>£10,000</td>
<td>£10,050</td>
</tr>
</tbody>
</table>

Mahmood’s additional 1% savings are eligible for the employer subsidy, as is the amount he’s transferred-in from Prudential, so he will pay the post-subsidy fee on these. In the case of the USS Default Lifestyle Option, the post-subsidy fee is 0% so Mahmood won’t pay any fees on these.

For the value he’s transferred from a previous pension scheme, Mahmood will pay the pre-subsidy fee. These fees are deducted from his savings on a monthly basis by cancelling some of the units he holds. The annual fee (before subsidy) for the USS Default Lifestyle Option is 0.30% so he will pay the monthly equivalent of 0.30% (which is 0.025%) on the money he’s transferred:

\[0.025\% \times £10,050 = £2.51\]

This calculation would be performed each month, and units deducted to the value of that amount.
Selecting and making changes

Making changes

You can make changes to your investments at any time through My USS. You can also change your Target Retirement Age (TRA) at any time, which is important if you are invested in one of the lifestyle options.

You do not need to commit to Do It For Me or Let Me Do It forever. For example, you could choose to start by investing in self-select funds to meet your risk appetite, and later switch to a lifestyle option to benefit from automatic de-risking before you retire, or vice versa.

It’s important to keep in mind that there are costs and risks involved with switching your investments. This includes changes to investments in the lifestyle options that happen if you change your TRA in a way that causes your investments to change (for example, if you change to and/or from a TRA that is less than 10 years away). The trustee will not generally charge an administration fee for switches, but reserves the right to charge where frequent switching is occurring.

Additionally, transaction costs may be incurred when you switch between funds. These are the costs associated with buying and selling funds, such as fees to market traders. The chart on the right shows potential transaction costs for selling or buying a specific fund. Keep in mind that these vary over time and with market conditions, so actual costs to you may be higher or lower. The more switches you make, the more transaction costs you may incur. These charges are deducted automatically from your pension savings in the Investment Builder.

<table>
<thead>
<tr>
<th>Let Me Do It options and the funds in the USS Default Lifestyle Option</th>
<th>Transaction cost when buying</th>
<th>Transaction cost when selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>USS Cash Fund</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>USS Bond Fund</td>
<td>Up to 0.13%</td>
<td>Up to 0.14%</td>
</tr>
<tr>
<td>USS Cautious Growth Fund</td>
<td>Up to 0.48%</td>
<td>Up to 0.21%</td>
</tr>
<tr>
<td>USS Moderate Growth Fund</td>
<td>Up to 0.65%</td>
<td>Up to 0.24%</td>
</tr>
<tr>
<td>USS Growth Fund</td>
<td>Up to 0.81%</td>
<td>Up to 0.26%</td>
</tr>
<tr>
<td>USS UK Equity Fund</td>
<td>Up to 0.58%</td>
<td>Up to 0.12%</td>
</tr>
<tr>
<td>USS Global Equity Fund</td>
<td>Up to 0.12%</td>
<td>Up to 0.07%</td>
</tr>
<tr>
<td>USS Emerging Markets Equity Fund</td>
<td>Up to 0.30%</td>
<td>Up to 0.34%</td>
</tr>
<tr>
<td>USS Ethical Equity Fund</td>
<td>Up to 0.12%</td>
<td>Up to 0.06%</td>
</tr>
<tr>
<td>USS Sharia Fund</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds in the USS Ethical Lifestyle Option</th>
<th>Transaction cost when buying</th>
<th>Transaction cost when selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>USS Ethical Growth Fund</td>
<td>Up to 0.75%</td>
<td>Up to 0.23%</td>
</tr>
<tr>
<td>USS Ethical Moderate Growth Fund</td>
<td>Up to 0.61%</td>
<td>Up to 0.23%</td>
</tr>
<tr>
<td>USS Ethical Cautious Growth Fund</td>
<td>Up to 0.47%</td>
<td>Up to 0.21%</td>
</tr>
<tr>
<td>USS Ethical Cash Fund</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

As at 31 March 2019
Taking your money

You can take your money from the Investment Builder, alongside benefits from the Retirement Income Builder, if you retire. Alternatively, your savings may be accessed at an earlier or later point than your Retirement Income Builder benefits if you opt to take cash payments (UFPLS).

As you approach that time, it’s important to consider:
• At what age you plan to start taking your money from the Investment Builder; and
• How you plan to use that money.
Approaching retirement

When will you take your money?

It’s important to consider at what age you’ll begin to take your money, and review that regularly to make sure it’s realistic for your circumstances. This can be anytime from age 55, or when you retire.

If you decide to take your money from the Investment Builder when you retire, you should understand how your benefits in the Retirement Income Builder and the Investment Builder work together. This is because the way in which you access your money at retirement may have an impact on how much tax you pay at and during retirement, and the size of your available tax-free lump sum. In the run up to your retirement we will provide you with standard options around the amount of pension and tax-free lump sum that you may draw from the Retirement Income Builder and the Investment Builder. However, you may wish to consider other ways in which you can take your Investment Builder savings anytime from the age of 55 - See the taking your benefits and savings page online for more information.

It’s especially important to consider when you’ll begin taking your money from the Investment Builder because you might wish to switch your investments to lower risk investment options as you approach your TRA. If you’re in a Lifestyle option, this switching happens automatically. This means that if you haven’t considered or don’t regularly review your TRA:

• Your investments may be switched too early, in which case you could lose out on investment growth; or
• Your investments may be switched too late, leaving your money exposed to sudden changes in investment markets just before your retirement, which could reduce your retirement savings.

Note that your TRA does not have any affect on how early you can start receiving a pension from the Retirement Income Builder. If you wish to receive a pension earlier than Normal Pension Age, you will need to take either early or flexible retirement and the amount of pension you receive may be lower.

You can review and change your TRA in My USS at any time; if you don’t make a selection, the default TRA will be your Normal Pension Age (usually age 65, but it’ll change to age 66 from October 2020 when the State Pension age increases).
Approaching retirement

How will you take your benefits?

The Investment Builder gives you control over how you take your money in retirement. The options available can be one or a combination of the following:

A single cash lump sum

Withdraw all of your pension savings in the Investment Builder as a single cash lump sum at retirement alongside your Retirement Income Builder benefits, to use as you see fit.

AND / OR

Leaving your money invested, taking cash as and when you need it

Leave your money invested in the Investment Builder or take some of your pension savings in the Investment Builder as cash payments (UFPLS), while leaving the remainder invested. You can then withdraw cash payments from time to time, as you wish. You can make four withdrawals per year; the first withdrawal each calendar year and the withdrawal that takes your savings to £0 are free. All other withdrawals carry an administration fee of £90. Money that remains invested can be passed on free of inheritance tax, and in certain cases will also be free of income tax when your beneficiaries withdraw it.

AND / OR

Income in retirement

Use your pension savings in the Investment Builder to increase your income from the Retirement Income Builder, or buy an annuity (income in retirement) or flexi-access drawdown product from another provider.

Remember, you can use a combination of these approaches. Read our taking your benefits and savings page online for an overview of the different ways you can access your savings once you retire.

In general, based on the current tax legislation, 25% of your combined USS retirement benefits will be tax free, with the remainder taxed at your marginal rate though there are exceptions and you can find more information on our start taking your benefits page online.

In the five to 10 years before you retire it’s important to consider how you’ll take your benefits. That’s because you may want to switch your investments into funds that align with how you plan to use your money at retirement.

If you have invested in one of the Lifestyle options, your investments automatically switch over time. The mix of investments at retirement was designed for members who, at retirement, wish to take a cash sum or leave some cash invested for the future. If you have different plans for how you’ll use your money in the Investment Builder at retirement, you may wish to consider switching to one or more of the Let Me Do It funds as you approach retirement, to better align your investments with your future plans.
Approaching retirement

Other ways of taking your benefits

Accessing after normal pension age

You may decide to take your Retirement Income Builder benefits from your normal pension age but leave some or all of your money invested in the Investment Builder until a later point. Alternatively, you may wish to take all of your benefits after your normal pension age – this is referred to as ‘late retirement’.

Accessing before normal pension age

You may do this through early or flexible retirement and take part of your benefits from the Retirement Income Builder and/or the Investment Builder. The amount of pension you receive may be lower and there are certain conditions that must be met before you can flexibly retire. Please note that beginning to withdraw savings from the Investment Builder savings may affect the amount you can save into the scheme tax-free in the future.

Accessing before retirement

From age 55 you can:
- Take your whole Investment Builder pot as a cash payment (UFPLS);
- Take up to four cash payments each calendar year, while leaving the rest of your pot invested

Please note that taking cash payments from your Investment Builder savings will affect the amount you can save into a pension scheme tax-free in the future.

Accessing before retirement by transferring out

At any point you may transfer out your money invested in the Investment Builder to another pension arrangement. The employer subsidy of investment management charges will not apply for any funds once they have been transferred out.

Further information on late retirement, flexible retirement and transfers out can be found at [uss.co.uk](http://uss.co.uk).

Further information on accessing your savings before retirement can be found in the [Taking cash from your USS Investment Builder pot factsheet](http://uss.co.uk), where tax implications and risks are explained.
Learn more

Making investment choices is an important financial decision – so we encourage you to take some time to understand more about the things to consider when deciding how to invest in the Investment Builder.
Learn more
Types of investment funds

USS has selected the range of investment options. These options and the performance of the funds are monitored and reviewed on a regular basis. This ensures they are performing at satisfactory levels and in accordance with both the investment objectives USS has set and the USS Statement of Investment Principles (SIP).

The funds available through the Investment Builder are combinations of equities, private market assets, bonds/gilts and cash. You might find it useful to understand more about each of these types of investment, so we have provided a summary here. The summaries are based on generalised historical performance of each type of investment and do not provide any guarantee that a type of investment will continue to display those characteristics in the future.

The fund factsheets in My USS contain information about the funds available and their performance, available at uss.co.uk/login. Please read the relevant fund factsheet carefully before making any investment selections.

The Growth, Moderate and Cautious funds invest in a wide range of different assets to spread the risk and reduce the impact on the fund if one asset or class of assets under perform. These funds are generally expected to experience less variability than the equity funds, but more variability than the bond funds or cash.

Equities or Shares
Shares are also known as equities.
As a shareholder you own part of a company. The value of a share depends on the company’s performance. If shares are publicly listed the price of shares is available on the stock market. This may be in the UK or Overseas.
As a share price rises, so will the value of your investment. Although, if a share price falls the value of your investment will to.
May be suitable for those members who are not planning to retire for several years and do not need to sell their investments to convert to income in retirement or take a tax-free cash lump sum in the short-term.

Equity funds are generally expected to have the highest short-term risk but also offer the potential to produce the highest future investment returns over the long-term.

Private Market Assets
These are privately held assets that we buy and hold for a long period of time. They aren’t bought and sold on the public market or stock exchange, so the price is expected to remain more stable over time than shares in companies on the stock exchange.
Examples of these types of investments include property (buying a home is likely to be a long-term investment rather than something you’ll buy and sell a few months later), infrastructure, such as toll roads and airports or funding private companies.
These assets are typically held for a long period of time and it can be more difficult to quickly sell these assets, if required.
A key reason for investing in these assets is diversification and access to the higher rate of return we anticipate to receive from investing in privately held assets for the longer term.

Private market assets are included in the Growth, Moderate and Cautious Funds.
We’ll carefully manage the exposure to private market assets so that while they play an important role in the Growth, Moderate and Cautious Funds it won’t be a dominant one. There are a number of processes in place to ensure there are sufficient investments in liquid assets to meet cash flow requirements, except in extreme market circumstances.
Bonds and Gilts

A bond is a type of loan. Bonds issued by the UK Government are also known as gilts, and bonds issued by companies are known as corporate bonds.

Like any loan, bond issuers agree to pay back the amount of the loan at the end of the fixed period and pay interest on the amount borrowed. The interest may be:

- A fixed rate (fixed interest)
- A rate linked to inflation (index-linked)

The repayment schedule means that bonds provide a predictable level of income.

Bonds are often bought and sold after they have been issued but before they are due to be repaid. This means that the price may go up and down depending on the demand in the public bond market.

Bond/gilt funds are generally expected to produce a lower investment return than equities over the long term but are also expected to have lower variability of investment returns than equities.

Cash

Cash funds invest in short-term loans. These loans are used by governments, banks and companies seeking short-term funding or short-term places to invest money. These assets can easily be bought or sold in the market (in normal market conditions).

Examples of these assets are deposits, commercial paper, and short-term bonds. They are similar to bonds, and the issuer agrees to pay back the agreed loan amount after a short period of time (one year or less).

These types of investment are also known as money market or liquidity funds. These are called liquidity funds because they are very easy to convert to cash when the fund’s manager needs it.

Cash funds can be used to protect the value of your money when other assets—such as equities or bonds—are behaving in an unpredictable way.

Cash funds carry very little investment risk, but as with all investments there is risk and there is no guarantee that cash funds won’t fall in value. For example, if the loan owner does not repay its commitments. Cash funds may also be subject to inflation risk, and the value may not keep up with the rising cost of living.

Cash funds are generally expected to provide a lower investment return in the long-term than bonds or equities but with much less volatility.
Introduction and approach

The USS ethical investment options are governed by a strict set of ethical investment guidelines that USS has developed. These guidelines are used in the portfolio construction and manager selection of those products.

These guidelines have been developed to take into account the views we’ve heard from our members, what we’ve seen in other UK pension schemes and advice from our investment consultants. Specifically, we have considered:

- Feedback from members through:
  - Our member engagement survey results;
  - Additional comments in relation to ethical investments that we’ve received from members in recent years;
- A review of market practices within our peer group;
- Input from two independent investment consultants.

It’s important to keep in mind that the definition of ethical investment is neither clear-cut nor universal. Indeed, most of the standard ‘ethical’ investment funds available in the open market today follow a less strict set of principles than the USS guidelines. In developing our guidelines, we have aimed to reflect the beliefs of our members while still enabling us to offer quality investment options.

These guidelines are reviewed from time to time, to ensure they continue to reflect the views of our membership and take account of the latest developments in the market.

USS’s ethical investment guidelines are in addition to the USS Statement of Investment Principles (SIP), which set the expectation that managers of the entire Investment Builder fund range and the Retirement Income Builder investments will act responsibly as stewards of the assets and actively engage with the companies they invest in.

For more information, you can see the full ethical investment guidelines on My USS.
Learn more

Types of investment management

The managers of the funds available through the Investment Builder take different approaches to managing the investments. Some of the managers follow a Passive management approach, while others follow an Active management approach.

USS has considered the management approaches as part of the criteria for selecting each of the fund managers. The fund factsheets available at [uss.co.uk/login](http://uss.co.uk/login) have information about the management approach for each of the available funds.

**Passive management**

Passive investment management (sometimes known as index-tracking) is the process of buying and selling investments with the intention of matching the performance of a chosen investment market index (before making allowances for investment management fees). For example, for a UK equity fund this could be the Financial Times Stock Exchange (FTSE) All-Share Index in the UK.

A passive manager is attempting to match the index and so will hold almost all the different shares or bonds/gilts making up the index. This means passive investments should closely follow the market index returns whether the index goes up or down.

Importantly, whilst investing in index funds should allow an investor to enjoy the majority of the return in a particular market, it does remove the potential for outperformance of a particular market (or index) that otherwise might be achieved by an active manager (see the next column). As an active investment manager can also underperform an index, passive investment has the effect of removing active investment manager risk for an investor. Charges for passive management tend to be lower than for active management.

**Active management**

Active investment management is the process of buying and selling investments with the intention of outperforming a specific investment market index, a benchmark (a standard the fund is measured against), other investment managers, or a combination of these.

If successful, active management can generate significant extra returns over the long-term when compared with passive investment management. However, if the investment manager’s decisions prove unsuccessful, the opposite can also be true. Charges tend to be higher than for passive management due to transaction costs incurred by regularly buying and selling investments and the fact that you are paying for the investment manager’s expertise in choosing which investments to invest in.
Learn more

Types of investment risk

Three of the main types of investment risk to consider when deciding where to invest your money are capital, inflation and purchasing benefits risk.

Capital risk

This risk relates to the possibility of a fall in the value of your investments in the Investment Builder. This is what is meant by the phrase “the value of investments can go down as well as up”. This is particularly important for members close to retirement, when it should be considered in conjunction with the risk of selling assets to convert into a cash lump sum or an income stream at a certain point in time in the market (see Purchasing benefits risk). Cash generally represents the lowest capital risk of the investment types.

Inflation risk

This is the risk that inflation will be greater than the investment growth of your money in the Investment Builder over time. If this is the case then your ‘purchasing power’ (how much you can buy with your money) will reduce over time as the cost of living increases. This type of risk may be overcome by choosing investments that have the potential to match or beat price inflation over the long-term, such as equities or diversified growth funds.

Purchasing benefits risk

This is the risk that the value of your investments in the Investment Builder does not move in line with the cost of purchasing the benefits you would like at retirement. This is particularly relevant if you are considering a regular income in retirement from an annuity, in which case the adverse risk of movements in annuity rates can potentially be reduced if you are already invested in bonds. It is also relevant if you plan to take a cash lump sum at retirement, in which case the risk can be reduced by investing in cash.
Learn more

Glossary

You can find the definitions of terms related to the Investment Builder in the Glossary.
Learn more

Important points to remember

This investment guide and the fund factsheets have been produced by Universities Superannuation Scheme Limited (USS) and should be read in conjunction with Your guide to USS (available on uss.co.uk) and the further information about the Investment Builder available on My USS.

As you review this information, please keep in mind that past performance is not necessarily a guide to future performance. The value of investments may go down as well as up and the return on your investments is not guaranteed. This includes equities, bonds, private markets and cash, whether held directly or in a pooled or collective investment vehicle. Investments in developing or emerging markets may be more volatile and less marketable than in more established markets such as Europe or North America.

Exchange rates may also affect the value of an overseas investment. As a result, you may not get back the amount originally invested.

The USS fund objectives and benchmarks have been determined by USS, who are responsible for selecting funds in the USS range, which may be added to, removed or replaced from time to time. Member selections are linked to the particular USS fund selected and are not linked to or made in respect of any underlying fund manager. The underlying fund manager can be changed at any time. Details of the underlying funds are included in the fund factsheets.

You can request the international securities identification numbers (ISINs) of your underlying funds by contacting the Member Service Desk on 0333 300 1043.

The information and data contained in this investment guide and in the fund factsheets have been obtained from Northern Trust and the underlying fund managers and are not verified by USS. USS does not represent that such information is accurate or complete and it should not be relied on as such. Neither USS nor the third party sources accept responsibility for any loss caused to any recipient of this document as a result of any error, inaccuracy or incompleteness of this publication or the fund factsheets or as a result of any third party error. Any opinions expressed in this investment guide or in the fund factsheets are the views of USS and may change.

The USS Growth, Moderate and Cautious Growth funds invest in assets that may at times be hard to sell. This means that in extreme situations you may experience a delay or receive less than you might expect when selling your investment.

This publication, the fund factsheets and the data contained therein is for information only and is valid as at the date of publication. They do not take into account your personal circumstances and do not constitute financial advice or a recommendation to make (or refrain from making) any kind of investment decision.

If you are not sure what’s best for you, we recommend you speak to a financial adviser before making a decision in relation to your investments or any changes to them. You may be charged a fee for any advice.

The scheme 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 will prevail. Every effort has been made to present accurate information at the date of publication and members are advised to check with their employer’s pension contact for the latest information regarding the scheme, and any changes that may have occurred to its rules and benefits.

For definitions of our terms please see more information on our glossary page.
Learn more

Get free help and guidance

The Money and Pensions Service

The Money and Pensions Service (MAPS) brings together three bodies of financial guidance: Pension Wise, the Money Advice Service, and the Pensions Advisory Service.

You can visit MAPS at maps.org.uk, or you can contact them by email at contact@maps.org.uk or call 01159 659 750.

Pension Wise:

Pension Wise is a government service available for anyone over the age of 50.

Visit pensionwise.gov.uk or call 0800 138 3944 to arrange a face-to-face or telephone appointment.

Money Advice Service:

The Money Advice service website provides money advice, tools and calculators for financial planning. It also explains how you can find a financial adviser.

Visit moneyadviseservice.org.uk or call 0800 138 7777 for a telephone appointment.

The Pensions Advisory Service:

The Pensions Advisory Service helps people with their questions and issues about their workplace and personal pension schemes. Their service is offered on the phone, through live web chat, self-service online and through written enquiries.

Visit pensionsadvisoryservice.org.uk or call 0800 011 3797 for more information.