

Pension Commutation – Increasing Your Lump Sum

Under the HSC Pension Scheme members of the 1995 section will have the option to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This provision is known as “pension commutation”.

Pension is converted to lump sum at the rate of £12 additional lump sum for every £1 of pension given up. The [Pension Commutation Calculator](#) will help members model the amount of additional lump sum they can claim.

Claiming a bigger lump sum does not affect the level of survivor benefits payable to a partner or dependent child.

Members of the 2008 section of the HSC Pension Scheme and the 2015 CARE Scheme will have the same opportunity to give up part of their pension for a tax free lump sum of up to 25% of pension value or keep all their entitlement as pension – in other words, they can opt to take no lump sum at all.

Example of pension commutation:

Member A has 40 years membership in the 1995 Section and retires on a pensionable pay of £40,000. Standard benefits are a pension of 40/80 x £40,000 = £20,000 per annum and a standard lump sum of £60,000 (annual pension x 3).

An additional lump sum up to a maximum of £47,136 is available. If member A wanted to take this maximum additional lump sum, they would need to give up £3,928 of pension (£47,136/12). Member A's benefits would then be a pension of £16,072 (£20,000 - £3,928) and a lump sum of: £107,136 (£60,000+ £47,136).

Any amount of additional lump sum (in multiples of £12) up to a maximum of £47,136 can be claimed by Member A. In all cases the amount of survivor pension would be the same.

Member B is a non-protected member of the 2008 Section and has pension benefits in both the 2008 Section and in the 2015 CARE Scheme.

They have 6 years membership in the 2008 Section and retires on pensionable pay of £40,000. Standard benefits in the 2008 Section are a pension of $6/60 \times$

$£40,000 = £4,000$ per annum and there is no standard lump sum.

A lump sum up to a maximum of £17,136 is available. If Member B wanted to take this maximum additional lump sum, they would need to give up £1,428 of pension ($£17,136/12$). Member B's 2008 benefits would then be a pension of £2,572 ($£4,000 - £1,428$) and a lump sum of: £17,136.

Member B also has a 2015 CARE Scheme pension of £15,000.

A lump sum up to a maximum of £64,284 is available. If Member B wanted to take this maximum additional lump sum, they would need to give up £5,357 of pension ($£64,284/12$). Member B's 2015 benefits would then be a pension of £9,643 ($£15,000 - £5,357$) and a lump sum of: £64,284.

Members retiring from 2 April 2008:

Members retiring from 2 April 2008 (the first day members can retire under the terms of the amended scheme) must indicate whether or not they want an additional lump sum by ticking the appropriate box on the form [AW6](#). If they want an additional lump sum they must select either the maximum lump sum permitted or state an additional lump sum in whole pounds (multiples of £12 only), which is not greater than the permitted maximum lump sum.

Exceptions in the 1995 Section would be married male members with membership prior to March 1972 who have not bought 'unreduced lump sum'.

Pension Commutation

Q. What is pension commutation?

- A. Members of the 1995 Section of the HSC Pension Scheme have the option to give up some of their annual pension for an additional tax-free lump sum, up to a maximum amount permitted under the HM Revenue and Customs (HMRC) rules. Members of the 2008 Section of the HSC Pension Scheme and the 2015 CARE Scheme need to give up some of their annual pension in exchange for a tax-free lump sum.

Q. Who is eligible for pension commutation?

A. Members who are contributing to either the 1995 or 2008 section of the HSC Pension Scheme. Members of the 2015 CARE Scheme are also eligible.

Q. Is there a limit on the amount of pension that I can give up for a tax-free lump sum?

A. Yes, up to 25% of the capital value of your pension.

Q. How much does it cost?

A. Your pension would be converted to a lump sum at the rate of £12 additional lump sum for every £1 of pension given up.

Q. Do I have to commute part of my pension?

A. No, you don't have to commute anything. You can take the usual pension and lump sum in the 1995 section of the Scheme, which is normally three times the pension amount, or only a pension in the 2008 section and the 2015 CARE Scheme.

Q. Is there a facility for me to calculate my benefits if I opt to commute part of my pension.

A. Yes, the [Pension Communication Calculator](#). However before using the calculator you will need to know your estimated pension and lump sum amount at retirement.

You will be able to enter your expected pension and lump sum and look at different scenarios, from giving up £1 pension to the maximum permitted. Employers with access to our estimate tools can also provide this for you.

Please note that this calculator is for all members of the HSC Pension Scheme.

Q. Who do I contact to request an estimate of my pension benefits?

A. Members are entitled by law to request up to one estimate of pension and dependents benefits per year. If you are currently employed by the HSC or directional body contact your employer's payroll department to request your estimate. If you have ceased HSC employment, contact HSC Pension Service by telephone, letter or e-mail to request an estimate of benefits.

Contact us:

HSC Pension Service Waterside House
75 Duke St Londonderry BT47 6FP

Email: hscpensions@hscni.net

Website: www.hscpensions.hscni.net