

## Pension Commutation

### What is pension commutation?

Under the 1995 Section of the HSC Pension Scheme, members 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 do not have entitlement to an automatic lump sum. If they wish to take a lump sum, they must give up some of their annual pension in exchange for a lump sum, which usually is tax free. This provision is known as “pension commutation”.

Members of both the 1995 Section and the 2008 Section are eligible for pension commutation, provided they have membership on or after 1 April 2008. Pension is converted to a lump sum at the rate of £12 additional lump sum for every £1 of annual pension given up. The maximum lump sum that can be taken is 25% of the capital value of the pension fund. This is determined by a limit set by HMRC.