

Pension Commutation – Member FAQ's

Q. What is pension commutation?

- A. Pension commutation is an option for members to permanently give up some of their annual pension in exchange for a lump sum, which is normally tax-free. The rate of exchange is £12 lump sum for every £1 of annual pension given up.

Choosing a bigger lump sum does not affect the level of survivor benefits payable to a partner or dependent child after you die.

Q. Who is eligible for pension commutation?

- A. Normally members of both the 1995/ 2008 Section and the 2015 Scheme are eligible to commute pension, but there are some differences to be aware of:
- 1995 Section - Members must have contributed to the scheme for at least one day on or after 1 April 2008. They automatically receive a tax-free lump sum but can increase it by giving up part of their annual pension.
 - 2008 Section - Members do not have entitlement to an automatic lump sum. To receive a lump sum, they must give up part of their annual pension in exchange.
 - 2008 Section Optants - Members who elected to move from the 1995 Section to the 2008 section under the Choice exercise receive an automatic lump sum based on their membership up to 31 March 2008. This is known as the mandatory lump sum and can be increased by giving up part of the annual pension.
 - 2015 pension scheme - Members do not have entitlement to an automatic lump sum.

To receive a lump sum, they must give up part of their annual pension in exchange.

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

A. Yes, the amount of lump sum that can be taken is subject to limits set by HM Revenue and Customs (HMRC). The maximum that can be taken is a lump sum of up to 25% of the capital value of total benefits. The capital value of a member's benefits is measured after pension commutation has taken place, the resulting pension must be more than the annual re-valued GMP where applicable.

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

A. No, you don't have to commute anything. You can if you prefer take the standard pension and any lump sum that the Scheme automatically pays.

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

A. Yes on the [HSC Pension Service Website](#). 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 options, from giving up £1 pension to the maximum permitted. Employers with access to our estimate tools can also provide this for you.

Please note:

The calculator is only for members of the 1995/2008 Sections of the HSC Pension Scheme. If you are taking Voluntary Early Retirement with actuarially reduced benefits, the reduced benefit amounts should be used. If you are retiring on Redundancy grounds with enhanced benefits under Transitional Protection arrangements, the basic benefits only should be used. The enhanced element cannot be commuted.

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 employed by a Direction Body or ceased HSC employment, contact HSC Pensions by letter or email to request an estimate of benefits.

Q. I stopped paying into the HSC Pension Scheme some time ago but I am applying for my benefits now. Can I still commute part of my pension?

A. Only if you have contributed to the Scheme in respect of membership on or after 1 April 2008. If your contributions stopped before that date you will not be able to commute.

Q. When should I apply to commute part of my pension?

A. The application must be made at the time you claim your retirement benefits and before HSC Pension Service puts the monthly pension into payment. Once the pension is in payment a new or revised application cannot be made. If we change the pension that is being paid any previous election to commute part of the pension for a lump sum will be reflected in the revised amounts.