

Resettlement Commutation and recent changes to factors

If you leave the Armed Forces before reaching the age of 55 and with an entitlement to an immediate pension, other than invaliding benefits, you may apply for Resettlement Commutation under AFPS 75. The change introduced by Finance Act 2004 and the way in which Lifetime Allowance (LTA) is calculated affects the amount of Resettlement Commutation you are able to take. The decision to take advantage of Resettlement Commutation must be made before you leave the Service and your pension has crystallised (come into payment). There will be a compensating reduction in your pension, which will be restored to its original value at the age of 55. There can be no restoration of your pension to its original value before this time.

In January 2010, the Government Actuary Department reviewed the Resettlement Commutation factors and provided a revised set in a similar format to the existing factors with the addition of calculations now carried out by reference to 'age last birthday' instead of 'age nearest birthday'. These changes have now been implemented with an effective date of 11 January 2010 and a table showing the revised factors can be found at Annex A.

Following the budget on 23 March 2011 the Government announced that the new SCAPE (Superannuation Contributions Adjusted for Previous Experience) discount rate would be 3% per annum above Consumer Price Index. A further set of revised Resettlement Commutation factors was then issued and have now been implemented with an effective date of 23 March 2011. A table showing the revised factors can be found at Annex B.

From the 1 October 2011, SPVA Pensions Glasgow will identify all awards where Resettlement Commutation has been taken and processed after the effective dates mentioned above as these awards will be based on old factors, and we will retrospectively re-assess using the appropriate revised Resettlement Commutation factors. In due course, members will be notified in writing of the resulting changes to their awards, and Xafinity Paymaster will be instructed to make any adjustments necessary, i.e. to pay any arrears due or recover any overpaid sums by deduction from pension.

Initial analysis suggests that for the majority of members, re-assessed Resettlement Commutation lump sums will not differ from those previously paid, but that repayment of the sum commuted by deduction from pension are likely to be less than those previously advised.

The Department apologises for the technical problems it has been faced with and the unforeseen delays in implementing these revised factor changes.

Applications for Resettlement Commutation must be made before your last day of service by completing AFPS Form 1 at the following link or by completing the paper version of the form.

<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PersonnelPublications/SPVA/SpvaPensionsForms.htm>

ANNEX A

Resettlement Commutation Rates effective from 11 January 2010

Age last birthday at discharge	Capital sum raised for each £1000 of retired pay/pension given up from exercise of the option by age 55	Annual reduction in retired pay/pension for each £1000 capital sum
30	507	80.50
31	520	81.90
32	532	83.50
33	545	85.30
34	559	87.30
35	573	89.50
36	588	92.00
37	603	94.80
38	619	98.00
39	635	101.60
40	653	105.80
41	670	110.60
42	689	116.30
43	708	123.00
44	728	131.00
45	749	140.80
46	771	153.00
47	794	168.60
48	818	189.10
49	842	217.40
50	868	258.70
51	895	325.10
52	924	449.70
53	954	782.50
54	984	1016.10
55	1000	1000.00

ANNEX B

Resettlement Commutation Rates effective from 23 March 2011

Age last birthday at discharge	Capital sum raised for each £1000 of retired pay/pension given up from exercise of the option by age 55	Annual reduction in retired pay/pension for each £1000 capital sum
30	582.56	70.09
31	594.17	71.64
32	606.11	73.35
33	618.43	75.24
34	631.10	77.33
35	644.16	79.65
36	657.63	82.24
37	671.50	85.15
38	685.78	88.44
39	700.50	92.17
40	715.70	96.45
41	731.37	101.39
42	747.53	107.16
43	764.17	113.97
44	781.35	122.12
45	799.08	132.04
46	817.36	144.36
47	836.27	160.05
48	855.80	180.70
49	875.95	209.10
50	896.85	250.58
51	918.47	317.06
52	940.84	441.85
53	963.92	775.05
54	987.79	1012.52
55	1000.00	1000.00