

Part 2 All questions must be answered (use a separate sheet if necessary)

Is any portion of your pension allotted or paid to any other person or persons?

Yes No

Details

Are you in receipt of any income from the Department for Work & Pensions?

Yes No

Details

How much do you require to raise through commutation?

Briefly state why you wish to commute

State your grounds for believing that commutation would be to your distinct and permanent advantage. You may submit any information that will support your project. (Use separate sheet if necessary)

What capital resources of your own are at the disposal of the project?

State whether your affairs are now or ever have been in the hands of a law court or official receiver

What is your current employment?

Monthly income

Salary/wages

£	<input type="text"/>
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Service pension

£	<input type="text"/>
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Other pension

£	<input type="text"/>
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Spouse's earnings

£	<input type="text"/>
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Contributions from family members (state from which)

<input type="text"/>	£
<input type="text"/>	£

Other (give details)

<input type="text"/>	£
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<input type="text"/>	£
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<input type="text"/>	£
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<input type="text"/>	£
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Total monthly income	£ <input type="text"/>
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Part 2 - continued

Average monthly expenditure (in full)

Total average monthly expenditure

Part 3 Declaration

I have read the guidance notes and fully understand the general notes on page 1 of this application. I hereby authorise SPVA to make any official enquiries they deem necessary in pursuance of processing this application. I also undertake to give full, accurate and prompt answers to any subsequent questions asked of me.

Signature

Date

Name (block capitals)

Please forward the completed form to:

SPVA Pensions, MP480, Kentigern House
65 Brown Street, Glasgow, G2 8EX

Guidance Notes On Non-Officer Life Commutation

- 1 Life Commutation is a privilege rather than a right. Service Pensions and Service Invaliding Pensions are intended to provide a guaranteed regular Income at the end of a career in the Armed Forces and attract Pension Increases (PIs) which are designed to protect the pension against inflation. These increases are payable from the age of 55 in the case of Service Pensions or immediately in the case of Service Invaliding Pensions. However, whilst pension is earned as an entitlement by virtue of service, the facility to surrender part of that pension for life in return for a lump sum does not form part of that entitlement.
- 2 Commutation was introduced in the last century when non effective benefits were less generous than they are today, for example there was no final lump sum payment such as the Terminal Grant (TG), and it was recognised that some method was necessary to enable Servicemen and Servicewomen to raise capital to meet their special resettlement needs. In modern times all pensioners have been provided with a generous TG on discharge which is adequate to meet most everyday resettlement needs: and for those eligible the more recent innovations of the Assisted House Purchase Scheme and the automatic rights available under the new resettlement Commutation Scheme have provided even greater benefits. In addition there are now many more commercial sources through which capital or goods can be obtained – for example banks, building societies, finance and hire purchase companies. This has resulted in much greater emphasis being placed on the need to maintain the integrity of the pension as at least one source of income which will help to guard against the unexpected. Consequently, commutation is to be regarded as a last resort, to be pursued only when all commercial avenues have been exhausted. Moreover a member must be able to demonstrate to the satisfaction of the Department that commutation would be to his/her distinct and permanent advantage. Thus applications which are dictated by essentially short term considerations – for example assistance with day to day out goings, an investment or avoidance of commercial interest rates – will generally fail to meet this criteria.
- 3 The Finance Act 2004, which came into force on 6 April 2006, stipulates that a member's pension may not be reduced from one year to the next except in exceptional prescribed circumstances. This Act, therefore, has some impact on the ability to commute a pension and the decision to take advantage of commutation must be made before a member leaves the Service unless paragraph 7 applies.
- 4 Commutation can be granted only to members who are up to the required standard of health and applicants may be required to submit themselves for privately arranged medical examinations. Any expenses incurred in connection with travelling or medical fees must be borne by the member.
- 5 Only that proportion of pension earned by service given prior to 6 April 1980 is reckonable for life commutation purposes, provided that the member gave service on or before 31 March 1978.
- 6 Disability Pensions, Preserved Pensions and Pension Increases cannot be commuted and cannot form part of the minimum basic pension to be retained uncommuted.
- 7 Resettlement Commutation and Life Commutation may not normally run concurrently. If a member chooses Resettlement Commutation he/she is excluded from being considered under the Life Commutation Scheme until he/she reaches the age of 55.
- 8 Under current regulations regarding pension Increases, no pension Increases are awarded on any portion of the commuted pension unless the commutation takes place after the effective date of the increase and award given.
- 9 Please note that Life Commutation is an expensive way to raise capital to finance a project. The sum commuted under the Life Scheme is NEVER RESTORED to your pension. However commutation will be ignored for the purpose of assessing a widows pension.
- 10 Precise details of the purpose for which commutation is required should be given. The submission of such details is to the individuals' advantage as it will enable a decision to be reached without delay as to whether the project is one meriting further consideration.

Guidance Notes On Non-Officer Life Commutation (continued)

- 11 Applicants should not pay any deposit, enter into any agreement or incur any liability whatsoever on the assumption that commutation will be granted. The acceptance of an application for consideration is not an indication that it will be granted.
- 12 All applications are dealt with as expeditiously as possible, but it must be appreciated that investigations by SPVA necessarily take time and it may be some weeks at least before a decision can be given. The process may be assisted by you providing clear and factual replies to any questions asked by SPVA.
- 13 Approval of commutation by SPVA is not in any way a guarantee of the soundness of the proposition for which commutation is asked: and any enquiries made by, or on behalf of, SPVA do not relieve the individual the responsibility of taking full precautions to ensure that he/she does not lose his/her money, or get less than full value for it.
- 14 Money realised by commutation must be used only for the specific purpose for which it is granted. Cheques will not be made payable to the member but to the party (or agents thereof) to whom the money is to be paid. The cheque will be sent to the third party for presentation/ encashment as required. When for any reason this is not possible, the cheque(s) should be returned to SPVA without delay together with an explanation as to why payment was not possible. The pension in such circumstances will, of course, not be commuted.
- 15 Specific reasons for refusal generally will not be given: but unless the applicant is informed that there are medical or other general objections to commutation he/she may assume that the decision applies only to the particular scheme or proposal put forward and he/she may apply afresh for the same or a different project.
- 16 Reference to the tables at the Annexes will show that commutation is an expensive way of raising capital particularly if the appropriate loss of pension increases is taken into account.
- 17 The rules and rates of commutation are subject to change and may be altered without notice being given to any current or prospective applicant.

Annex A

Life commutation rates for pensions which qualify for pension increases when the member reaches age 55

Age last birthday	Rates for unimpaired lives per £1 commuted	Rates for impaired lives according to the number of years added to the age of the pension holder									
		1	2	3	4	5	6	7	8	9	10
40	23.37	23.10	22.83	22.55	22.26	21.96	21.66	21.34	21.02	20.70	20.36
41	23.26	22.98	22.70	22.41	22.12	21.81	21.50	21.18	20.85	20.51	20.17
42	23.13	22.85	22.56	22.26	21.96	21.65	21.32	20.99	20.66	20.31	19.96
43	22.99	22.70	22.41	22.10	21.79	21.47	21.14	20.80	20.45	20.10	19.74
44	22.84	22.54	22.24	21.92	21.60	21.27	20.93	20.59	20.23	19.87	19.50
45	22.67	22.37	22.05	21.73	21.40	21.06	20.72	20.36	20.00	19.63	19.25
46	22.49	22.17	21.85	21.52	21.18	20.84	20.48	20.12	19.75	19.37	18.98
47	22.28	21.96	21.63	21.29	20.95	20.59	20.23	19.86	19.48	19.09	18.69
48	22.06	21.73	21.39	21.05	20.69	20.33	19.96	19.58	19.19	18.79	18.39
49	21.82	21.49	21.14	20.78	20.42	20.05	19.67	19.28	18.88	18.48	18.07
50	21.56	21.22	20.86	20.50	20.13	19.75	19.36	18.96	18.56	18.15	17.73
51	21.28	20.93	20.56	20.19	19.81	19.42	19.03	18.62	18.21	17.79	17.37
52	20.98	20.61	20.24	19.86	19.47	19.08	18.67	18.26	17.84	17.42	16.99
53	20.65	20.28	19.90	19.51	19.11	18.71	18.30	17.88	17.46	17.03	16.59
54	20.29	19.91	19.53	19.13	18.73	18.32	17.90	17.47	17.04	16.61	16.17

Annex B

Life commutation rates other cases (pension increases payable immediately)

Age last birthday at commutation	Rate per £1 commuted	Age last birthday at commutation	Rate per £1 commuted	Age last birthday at commutation	Rate per £1 commuted
40	24.76	57	19.13	74	11.70
41	24.49	58	18.73	75	11.25
42	24.22	59	18.32	76	10.80
43	23.94	60	17.90	77	10.36
44	23.65	61	17.48	78	9.93
45	23.35	62	17.05	79	9.50
46	23.04	63	16.62	80	9.08
47	22.73	64	16.18	81	8.67
48	22.41	65	15.74	82	8.26
49	22.08	66	15.29	83	7.87
50	21.74	67	14.85	84	7.48
51	21.39	68	14.40	85	7.10
52	21.03	69	13.95	86	6.74
53	20.67	70	13.50	87	6.38
54	20.30	71	13.05	88	6.02
55	19.92	72	12.60	89	5.67
56	19.53	73	12.15		