

NHS Pensions - Trivial commutation of an adult dependant's pension

It may be possible to convert your small adult dependant's pension to a one off payment (known as trivial commutation). Her Majesty's Revenue and Customs (HMRC) rules only allow this if the gross trivial commutation amount does not exceed the current commutation limit £30,000ⁱ (£18,000 for a lump sum paid before 6 April 2015). The current procedure for assessing whether NHS pension benefits can be trivially commuted is as follows:

- When a continuing adult dependant's pension is first put into payment, and it is less than £260 a year it will automatically be converted to a one off payment (known as trivial commutation). You are not offered a choice.
- Where a continuing adult dependant's pension is £260 a year or more, the pension will be paid as a monthly pension, unless you ask for the continuing pension to be trivially commuted. NHS Pensions will consider a written request at the point of claim or post payment, provided the conditions are met.

When a trivial commutation lump sum death benefit can be paid

- A trivially commuted adult dependant's pension can be paid whatever the age the member was when they died.
- Your dependant's pension can be commuted either at the outset or on written requestⁱⁱ.

When a trivial commutation lump sum death benefit cannot be paid

Children's pension: Where there is at least one dependent child eligible for a children's pension, at the time of death, your adult dependant's pension cannot be trivially commuted and must be taken in the form of a pension, even if your pension is below the commutation limit.

It doesn't matter how small a children's pension is, it **cannot** be commuted.

Lifetime allowance

Your trivial commutation lump sum death benefit is not tested against either the deceased member's or your Lifetime Allowance.

Pension arrangements elsewhere

The payment of a one off lump sum does not depend on whether a deceased member or the recipient has pension arrangements elsewhere.

Tax

The whole of your trivial commutation lump sum death benefit is taxable as pension income of the **dependent**. Pay as you earn taxation is applied to the whole of your lump sum before payment is made.

Payment of a trivial commutation lump sum death benefit has the effect of discharging all liabilities in respect of any benefits that might have become payable to you, as the beneficiary.

ⁱ This is the maximum amount in each NHS Pension Scheme, not the maximum across all pension schemes. The £30,000 is gross before taxation. HMRC can change this limit at any time.

ⁱⁱ There is no statutory provision to prohibit the cancelling of an award and replacing the pension with a trivially commuted payment, if that is your wish. Where a request is made within a reasonable period of your award becoming due any written request will be considered.

You must agree to offset any pension already paid to you against any trivial commutation lump sum.