

AVX LIMITED PENSION SCHEME (“THE SCHEME”)

Cash Commutation Factors

If you have not yet retired, you may exchange part of your pension for a cash sum when your pension commences, which is currently paid free of tax. The maximum amount of cash you may take free of tax is subject to a statutory limit. The commutation factors reflect the terms or rate at which final salary pension is converted to pension in the Scheme.

Following the completion of the 2021 actuarial valuation, the Trustees reviewed the existing actuarial factors in force for the Scheme at their meeting in April 2022. The table below shows the new commutation factors now in force:

Age	Commutation factors
65	17.2
64	18.0
63	18.9
62	19.7
61	20.5
60	21.4
59	22.3
58	23.2
57	24.1
56	25.0
55	25.9

The illustrations below may be helpful to show how the commutation factors work in practice for a member retiring at age 65 with a total pension of £10,000 pa.

Example 1

If a 65 year old male member wants a net pension of £7,500 pa after exchange for cash, calculating the total cash payable under the new factors results in the following cash sum:

Pension commuted = £10,000 - £7,500 = £2,500 p.a.

Rate of exchange: £17.20 cash per £1 p.a. given up at age 65

Cash payable = £2,500 * 17.20 = £43,000

So in this example, rather than retiring with a pension of £10,000 pa at retirement, the member retires with a pension of £7,500 pa plus a tax-free cash lump sum of £43,000.

Example 2

If the member wants a tax-free cash sum of £30,000, calculating the pension needing to be exchanged, gives the following:

Rate of exchange: For each £1 p.a. at age 65 given up, receive cash of £17.20

Pension needed to be exchanged = $£30,000 / 17.20 = £1,744$

Net pension payable = $£10,000 - £1,744 = £8,256$ pa

So in this example, rather than retiring with a pension of £10,000 pa at retirement, the member retires with a pension of £8,256 pa plus a tax-free cash lump sum of £30,000.

The way in which pensions are increased in payment is set out by the Scheme's rules and will be shown in individual retirement quotations. There are limits set by HMRC on the amount of cash-free tax that can be taken at retirement.

Simon Hall, FIA
On behalf of the Trustees of the AVX Pension Scheme
June 2022

Appendix: Notes

The calculation a reduced pension and tax free cash sum is complex and the above examples contain a degree of simplification. Therefore, it is designed to help you gain an approximate indication of the level of pension and cash sum you may receive on retirement.

If you require an accurate pension quotation, please visit Mercer's secure website "Contact Mercer Admin" (CMA) at contact.mercer.com to log your request.

These factors are not guaranteed and may change between now and the date of your retirement.