NHS Pensions - Death in membership - Employer FAQs

Q If a member joined the Scheme less than two years ago and dies before they leave or retire, are benefits payable to the spouse / civil partner if they had not made a nomination and had no children?

A A lump sum on death is payable to the spouse / civil partner as of right. It will be equal to the equivalent of two years actual reckonable pay for 1995 Section members, or two years actual reckonable pay for 2008 Section members.

A limited adult dependant’s pension is payable to the legal spouse / civil partner for six months at the same rate of pay as the member was receiving on the date of death; no continuing adult dependant’s pension is payable.

Q A member has recently died, and has some outstanding leave, what date do I close the record down on and what exit code should be used?

A The record should always be closed down on the date of death using exit code 14; please ensure the employer pay provided on the termination form includes payment for annual leave. The annual leave should also be included in the pensionable pay period for the calculation of benefits.

Q Form AW11 has been completed by the member’s father as they were single, will the lump sum on death be payable directly to the father?

A If the member had nominated their father to receive the lump sum on death it will be paid directly to him. If no nomination has been made and it is over £5,000 it will be paid to whoever obtains Grant of Probate or Letters of Administration. If it is less than £5,000 and the personal representative has not obtained Probate we will issue forms AW111, AW112 and AW112A to the personal representative (in this case the father).

Q If the member was married and had completed form AW237,DB1 or DB2 to elect for the spouse not to receive the lump sum on death, what forms should be completed?

A The spouse should complete forms AW9 and G60 and the legal personal representative should complete form AW1.

Q Who will receive the lump sum on death if the member was separated but not divorced and had not made a nomination?
A The spouse will receive the lump sum on death and an adult dependant’s pension as they were still legally married.

Q The member has nominated their three children to receive the lump sum on death but they are all minors?

A The children’s legal guardian should make a claim for each child. The employer may not know the details of the nomination, so if only one form is completed NHS Pensions will send out claim forms AW11 for each of the nominees. The claim forms will be sent to the children’s guardian who should complete the forms on behalf of each nominated child. A proportion of the lump sum on death will be paid to each of the nominees. The children’s guardian will have to pay the payable orders into accounts in each of the children’s names.

Q The member was paying arrears of contributions from maternity leave at the time of their death and there is an outstanding amount still to be collected. Are the outstanding arrears written off?

A No, the outstanding arrears should be updated on the members record when closing the record down and these arrears will be deducted from the lump sum on death.

Q A member was due to retire on 31 October 2012, the record has been closed down and the AW8 sent to NHS Pensions but we have been notified that they died on 12 October 2012. What action should we take?

A Notify NHS Pensions immediately so that we can cancel the retirement award. Send Death in service forms to the spouse/civil partner/nominated partner to claim the death benefits. The employer should pay the initial adult dependant pension if the member was legally married or in a civil partnership.

Q Is the lump sum on death liable for Inheritance Tax?

A Inheritance Tax is the responsibility of the Capital Taxes Office at HM Revenue and Customs (HMRC). As a general guide any amount paid as an NHS lump sum on death is:

- not normally included in an Inheritance Tax assessment if a member is married or in a civil partnership and payment is made to the deceased members legal spouse or civil partner as of right

- included in an Inheritance Tax assessment if the member is single or if it is paid to a nominee or a qualifying nominated partner.

If any further information is required please contact the Capital Taxes Office on their website www.hmrc.gov.uk.

Q. Are there any time limits for claiming the lump sum on death?
A Yes. Any lump sum must be paid within two years of the date that the Scheme was first notified of the member’s death. After two years the lump sum will be subject to a HM Revenue & Customs (HMRC) tax charge of up to 45%. NHS Pensions has no discretion and must deduct the tax charge from the lump sum payment.

Q The member was married and the spouse has completed the form AW9. Why do they need to complete the ‘personal representative’ part of the form?

A It is an HMRC requirement that we inform them of any lump sum paid on the death of a member and the amount of Lifetime Allowance used. In some cases the spouse is the personal representative but in others there is an executor dealing with the late member’s financial affairs. There does not need to be a formal appointment made of a personal representative but NHS Pensions needs something in writing so that we can fulfil our obligation to HMRC.

Q I have a member of staff employed on an ‘as and when’ contract; are they covered by death in membership?

A Casual staff such as bank workers or freelance GP locum’s are regarded as being in pensionable employment if they are at work and paying into the Pension Scheme.

For example, if they are contracted to work 9am – 5pm Monday until Wednesday they are covered for ‘death in service’ benefits from 9am Monday until 5pm Wednesday only.

However if they were to die on the Thursday, regardless of whether they were due to return to work the following Monday they would not be regarded as being in pensionable employment and not eligible for ‘death in service’ benefits.

Instead the Scheme would pay benefits as if they had died within 12 months of leaving.

A bank nurse or freelance GP locum who is available for work, by virtue of being on an employers ‘list’ or ‘bank’ but who is not actually at work is not covered for ‘in service’ benefits.

Employers should not routinely provide death in service figures for members. Please contact us if you have a query regarding a member’s specific working pattern.