NHS Pensions - Life assurance and family benefits – 2008 Section

The Scheme provides pension and lump sum benefits to your eligible dependants in the event of your death and you are automatically covered by the Scheme’s life assurance benefits from the day you join. The benefits payable will depend on your circumstances at the time of your death.

Lump sum on death benefit

A lump sum payable on the death of a member will be automatically paid to your spouse, registered civil partner or nominated qualifying partner, subject to meeting the eligibility criteria. If you do not want this to happen you have the option to nominate someone else to receive the benefit using the Lump sum on death benefit nomination (DB2) form available to download from our website at: www.nhsbsa.nhs.uk/nhs-pensions.

The lump sum is not normally included in an Inheritance Tax assessment if the payment is made to your legal spouse or registered civil partner. If the payment is made to a nominated person or persons, or to a member’s estate, then the lump sum will normally be included for an Inheritance Tax assessment.

If you nominate a person or persons they should check their own tax position with HM Revenue & Customs (HMRC).

If the payment of the death lump sum partly or wholly causes you to exceed HMRC’s Lifetime Allowance, then the excess payment above the Lifetime Allowance will be subject to a Lifetime Allowance charge.

Whenever a lump sum on death is payable we will inform your legal personal representative of the amount and percentage of the standard Lifetime Allowance represented by the lump sum on death. Your legal personal representative is responsible for notifying this figure to HMRC if there is a Lifetime Allowance charge. The beneficiary of the lump sum on death is legally responsible for paying any Lifetime Allowance charge that may become due.

If you are legally married (including separated) or have formed a civil partnership, your surviving spouse or civil partner will automatically get the lump sum unless you have nominated someone else on the Lump sum on death benefit nomination (DB2) form.
If you have nominated a qualifying partner and they satisfy the eligibility criteria, your nominated partner will automatically get the lump sum unless you have nominated someone else on the Lump sum on death benefit nomination (DB2) form. You can download this form from our website. The lump sum on death will then be paid to your nominee(s).

If you are single without a nominated qualifying partner, divorced or have terminated a civil partnership, the lump sum will be paid automatically to your estate unless you have nominated someone on the Lump sum on death benefit nomination (DB2) form.

You can nominate as many people as you like, or alternatively one organisation. An organisation must be one of the following:

- a body corporate
- an unincorporated body
- your personal legal representative.

The lump sum will then be paid to your nominees automatically without waiting for Grant of Probate or Letters of Administration.

You can change your instructions on form DB2 at anytime and a new form DB2 replaces any previous DB2. The options available for death benefit nominations are:

- DB2 – for members that are or were members of the Scheme on or after 1 April 2008
- NOM1 – cancelling a death benefit nomination.

**HMRC time limits**

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.

**Adult dependant’s pension**

Pensions for surviving partners (an adult dependant’s pension) can be paid to:

- a legal spouse
- a registered civil partner
• a nominated partner with whom you have an exclusive long term committed relationship of at least two years and upon whom you are either financially dependent or inter-dependent.

A form Partner Nomination (PN1) to nominate a non legal partner can be downloaded from our website. The benefits payable will depend on your circumstances when you die and you are advised to tell your next of kin or personal representative about the benefits that may be payable on your death.

You should not complete this form if either of you are currently married or in a civil partnership with someone else.

An adult dependant’s pension for your legal spouse, civil partner or nominated qualifying partner is payable for life, even if your spouse, civil partner or nominated partner remarries or begins living with someone as their spouse, civil partner or partner.

A widower, civil partner or nominated qualifying partners adult dependant’s pension will normally be based on your membership from 6 April 1988 only unless:

• extra cover was bought for any membership before 6 April 1988, or

• a successful allocation nomination was made in respect of a financially dependent legal partner.

Nomination for full widower or civil partners cover should not be confused with nomination for the lump sum on death benefit described previously.

The adult dependant’s pension will be 37.5% of your own pension. If you are a GP the adult dependant’s pension will be 70/187ths of your own pension.

**Children’s pension**

The amount of the children’s pension depends on the number of dependant children, and whether there is a surviving parent or partner who will get an adult dependant’s pension.

The children’s pension is 75% (or for general practitioners 140/187ths) of the pension before commutation that you would have been entitled to had you been awarded a tier 2 ill health pension on the day of your death. The ill health section of the 1995/2008 Scheme Guide explains how ill health pensions are calculated.

If there is entitlement to an adult dependant’s pension from the Scheme, the children’s pension is usually a proportion of the pension that would be payable on your death:
• for one child - one quarter of the pension

• for two or more children - one half of the pension.

If there is no entitlement to an adult dependant’s pension from the Scheme, the children’s pension is usually:

• for one child - one third of the pension

• for two or more children - two thirds of the pension divided between them.

What if I die in pensionable employment?

If you die in pensionable employment we will pay a lump sum on death equal to two years reckonable pay provided you have not drawn down any of your pension.

If you are a general practitioner the lump sum on death will be twice the annual average of the uprated pensionable pay earned throughout your career.

How much would the adult dependant’s pension be?

If you have less than two years membership when you die, your spouse or partner will get a short term pension for six months. The pension will be at the same rate as your pensionable pay at the time of your death. If you are a general practitioner the pension will be based on your average pensionable earnings during the last complete quarter.

If you have two or more years' membership when you die, your spouse or partner will get the short term pension for six months. Thereafter an adult dependant’s pension will be payable for life. The adult dependant’s pension will be 37.5% of the tier 2 ill health pension you would have received on the day of your death.

If you are a general practitioner the adult dependant’s pension will be 70/187ths of the tier 2 ill health pension you would have received on the day of your death.

The ill health section of the 1995/2008 Member Guide explains how ill health pensions are worked out.

Allocation

If you are in good health for your age you can give any dependant a pension when you die, by applying to allocate (give up) part of your own pension. You can also do this to give a husband, wife, civil partner, nominated qualifying partner or child a bigger pension. However you cannot change your mind afterwards, even if the chosen person dies before
you. There are time limits on when you can apply so if you are thinking about this you should contact NHS Pensions before you retire.

**What if I am employed as a bank worker or a freelance GP locum?**

A bank nurse or a freelance GP locum is regarded as being in pensionable employment if they are at work and paying into the Scheme. For example, if you are contracted to work 9am – 5pm Monday to Wednesday you are covered for ‘death in membership’ benefits from 9am Monday until 5pm Wednesday only.

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

Instead, the Scheme would pay benefits as if you had died within 12 months of leaving (see below).

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 membership’ benefits.

**What if I die after pension draw down?**

If you die in pensionable employment following a pension draw down there will be two elements to be considered in calculating the lump sum on death as follows:

- the lump sum on death in respect of the benefits that have not been claimed
- where death occurs within five years of a pension draw down, the lump sum on death in respect of the drawn down benefits.

**How will each element of the lump sum be calculated?**

The lump sum in respect of the benefits that have not been drawn down will be twice reckonable pay, adjusted by the proportion of those benefits to the total value of all your Scheme benefits.

The lump sum in respect of the drawn down benefits will be the lesser of either:

- five times the post-commuted pension less the amount of pension actually paid, or
twice the actual reckonable pay used in the calculation of the most recent drawn down benefits, adjusted by the proportion of drawn down benefits to the total value of all your Scheme benefits, less the amount of lump sum taken.

How will the adult dependant’s pension be calculated?

The initial pension will be calculated as two elements reflecting the rules relating to both death before and after retirement. After the short term pension has ended your spouse or partner will get an adult dependant’s pension payable for life.

What if I die after I retire?

A lump sum on death is not normally paid when a Scheme pensioner dies, but if death occurs within five years of retirement, the lump sum will be the lesser of either:

- five times the pension less the amount of pension already paid, or
- twice the members pensionable pay less any retirement lump sum paid.

Adult dependant’s pension

Your spouse or partner will get a short term pension for three months at the same rate you were getting when you died. They will then get an adult dependant’s pension payable for life.

The adult dependant’s pension will be 37.5% of your own pension.

What if I die during re-employment?

If you die in pensionable re-employment following retirement there will be two elements to be considered in calculating the lump sum on death as follows:

- the lump sum in respect of the benefits that you have earned in re-employment, and
- where death occurs within five years of retirement, the lump sum in respect of your retirement pension.

How is each element of the lump sum on death calculated?

The lump sum in respect of your re-employment will be five times your pension.
The lump sum in respect of any retirement benefits that have been in payment for less than five years will be the lesser of either:

- five times the post-commuted pension less the amount of pension actually paid, or
- twice the reckonable pay used in the retirement benefits calculation, adjusted by the proportion of retirement benefits to the total value of all your Scheme benefits, less the amount of lump sum already taken.

**How will the adult dependant’s pension be calculated?**

The initial pension will be calculated as two elements, reflecting the rules relating to both death before and after retirement. After the short term pension has ended your spouse or partner will get an adult dependant’s pension payable for life.

**What if I have left the Scheme but not retired?**

The Scheme will normally pay a lump sum on death when any former member dies:

- within 12 months of leaving pensionable employment, or
- with deferred benefits.

The lump sum will be two and a quarter times the annual pension the member would have got if they had retired on the day they died.

No further benefits are payable if you had a refund of contributions or transferred your pension rights to another pension arrangement.

**Adult dependant’s pension**

The amount of pension depends on when you left the Scheme.

If you die within 12 months of leaving the Scheme no short term pension will be paid, but your spouse or partner will get an adult dependant’s pension payable for life from the date of death. The adult dependant’s pension will be 37.5% of the tier 2 ill health pension you would have received on the day of your death.

If you are a general practitioner the adult dependant’s pension will be 70/187ths of the tier 2 ill health pension you would have received on the day of your death.

The ill health section of the 1995/2008 Member Guide gives more information about how ill health pensions are worked out.
For members who die with deferred benefits no short term pension will be paid, but the spouse or partner will get an adult dependant’s pension payable for life from the date of death.

The adult dependant’s pension will be 37.5% of your own pension.

If you are a general practitioner the adult dependant’s pension will be 70/187ths of your own pension.

**Children’s pension**

A pension may be paid from the day after your death for any children who were dependant on you both when you left the Scheme and at your date of death, or

A pension may be paid for a dependent child that was born one year or less after the day you retired and who is/was dependant on you at the time of being born and at your date of death or would have been dependant on you had you not died.

**Claiming the benefits**

Anyone who wants to claim the Scheme benefits in respect of a current Scheme member who has died should contact the Pensions Officer at the member’s place of work.

Anyone who wants to claim the Scheme benefits in respect of a former Scheme member who has died should contact NHS Pensions.

**What if the continuing adult dependant pension is small, can it be converted to a lump sum payment?**

When the continuing 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).

The pension cannot be commuted, even if it is below the commutation limit, if there is at least one dependent child eligible for a children’s pension at the time of death.

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

Where the continuing pension is £260 a year or more, it will be paid as a monthly pension. Although spouses/civil partners/nominated partners are currently not given the option to commute such small pensions into a lump sum when they first claim, NHS Pensions will consider a written request at the point of claim or post payment, provided all conditions are met.

**Important note:** It is possible to convert a small adult dependant pension to a one off payment. However, Her Majesty’s Revenue & Customs (HMRC) only allow this if the gross trivial commutation amount does not exceed the current commutation limit of £30,000* (£18,000 for a lump sum paid before 6 April 2015).
*This is the maximum amount in each NHS Scheme, not the maximum across all pension schemes. The £30,000 is gross before taxation.

The recipient must agree to offset any pension already paid against any trivial commutation lump sum.

HMRC can change this limit at any time.

**NHS Money Purchase and Stakeholder Pensions**

If you paid to a NHS Money Purchase or Stakeholder pension during your Scheme membership there may be additional benefits payable. In these circumstances anyone claiming Scheme benefits following your death should write to the appropriate company enclosing either your original death certificate or a copy that has been certified by a Solicitor or Commissioner of Oaths as a true copy of the original.