

NHS Pensions - Death in membership - useful information for employers

Qualifying scheme partners

For a continuous period of at least two years ending with the member's death, both the member and the partner:

- are living together in the same household as if they were married or civil partners
- are free to marry or enter into a civil partnership
- are financially interdependent or the partner is financially dependent on the member
- neither is living with someone else as if they were married or in a civil partnership.

Lump sum and nominations

Who the lump sum on death is payable to if the member was single (never married) and the member's parent claims the death benefits:

If the member had nominated their parent to receive the lump sum on death it will be paid directly to them, without the need for a Grant of Probate or Letters of Administration. If no nomination has been made NHS Pensions will issue the LSOD1 form and if the lump sum on death is £5,000 or more 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 the LSOD1 form to the personal representative and it will be paid to the deceased's immediate family (in this case the parent). If it is more than £1,000 and less than £5,000 the LSOD1 must be witnessed by a solicitor.

If the member was married or in a civil partnership and had completed form AW237 or DB1 to elect for the spouse/civil partner not to receive the lump sum on death and for this to instead go to their estate:

The spouse/civil partner and the legal personal representative will be sent separate claim forms by NHS Pensions once a completed death in service notification form is received.

If the member was married, in a civil partnership or had a qualifying scheme partner and had completed a DB2 to nominate someone else to receive the lump sum on death:

The spouse, civil partner or qualifying scheme partner and the death benefit nominee will be sent separate claim forms by NHS Pensions once a completed death in service notification form is received.

The person who will receive the lump sum on death if the member had been married or in a civil partnership, and was separated but not divorced / had not dissolved the civil partnership and had not made a death benefit nomination:

The spouse / civil partner will receive the lump sum on death and an adult dependant's pension as they were still legally married / in a civil partnership. Therefore, if the member does not want the lump sum on death to be paid to their estranged spouse / civil partner they may want to think about completing a DB2.

If a member wants their estranged spouse or civil partner to receive 100% of the lump sum on death, they do not need to complete a DB2, as they will receive this automatically

If a member's scheme partner meets the qualifying conditions and becomes eligible to receive an adult dependant's pension

The qualifying scheme partner will automatically receive 100% of the lump sum on death, unless the member nominates someone else to receive some or all of this payment on a DB2.

If a member's scheme partner does not meet the qualifying conditions and is not eligible to receive an adult dependant's pension

They will not be entitled to receive any of the lump sum on death, unless the member nominated them on form DB2.

The benefits payable to the spouse, civil partner or qualifying scheme partner (see below) if a member joined the Scheme less than two years ago and dies before they leave or retire, if they had not made a nomination and had no children:

A lump sum on death is payable to the spouse / civil partner / qualifying Scheme partner. It will be equal to two years actual pensionable pay for 1995 Section members, or two years actual reckonable pay for 2008 Section members, or two years pensionable earnings for 2015 Scheme members, as defined in the relevant Scheme regulations.

A limited adult dependant's pension is payable to the legal spouse / civil partner / qualifying Scheme partner for six months at the same rate of pay the member was receiving on the date of death unless they were on NIL or reduced pay; If the member dies before their normal pension age no continuing adult dependant's pension is payable, but the spouse /

civil partner, but not a qualifying Scheme partner, may inherit a Guaranteed Minimum Pension (GMP).

If the member dies after attaining their normal pension age, when the initial adult dependant's pension ends, a continuing adult dependant's pension is payable to the spouse / civil partner/ qualifying scheme partner, based on the member's accrued annual pension.

The person who makes the claim for the children where the member has nominated their children to receive the lump sum on death, but they are all minors.

The children's legal guardian should make a claim for each child. NHS Pensions will send a claim form to the children's guardian once we receive a completed death in service notification form. The guardian should complete the form on behalf of each nominated child. The specified percentage or share of the lump sum on death, from the DB2 form, will be paid to each of the nominees. The children's guardian will then have to pay the payable orders into accounts in each of the children's names.

Payment of maternity leave arrears

If the member was paying arrears of contributions from maternity leave at the time of their death and there's an outstanding amount still to be collected:

The outstanding arrears should be updated on the member's record when closing the record down and these arrears will be deducted from the lump sum on death.

Closing records

What to do when a member was due to retire on a particular date, the record has been closed down and the AW8 sent to NHS Pensions, but we have been notified that they died on or before the retirement date:

Notify NHS Pensions immediately so that we can cancel the retirement award. Complete the death in service notification form. NHS Pensions will pay the initial adult dependant's pension to the spouse or civil partner, or a qualifying scheme partner if entitlement is proven.

The date to close down the record and exit code to use when a member has recently died and has paid notice / outstanding annual leave:

The record should be closed down on POL to include any paid notice or outstanding annual leave entitlement using exit code 14. If there is no paid notice/outstanding annual leave, then close the record down on the date of death using exit code 14. Please ensure the

information provided on the termination form includes contributions, total pensionable pay (TPP), additional voluntary contributions (AVC), employer pay and hours worked etc for this paid notice/outstanding annual leave. The paid notice/annual leave information will then be included in the calculation of benefits. Remember to record any disallowed days for no pay sick.

Tax

How to find out whether the lump sum on death is liable for Inheritance Tax

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 a HMRC Inheritance Tax assessment if the payment is made to the deceased members legal spouse or registered civil partner
- is included in a HMRC Inheritance Tax assessment if the payment is made to a qualifying scheme partner or the estate.

If the payment is made to a nominee, the recipient or their guardian (if the nominee is a minor) should check with HMRC if the payment should be included in a HMRC Inheritance Tax assessment.

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

HMRC's two-year rule for payment of the lump sum on death

The lump sum on death 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.

HMRC Lifetime Allowance (LTA) Charge

If the payment of the lump sum partly or wholly causes HMRC's LTA to be exceeded, then the excess payment above the LTA will be subject to a charge.