



## **Introduction to Occupational Pension Scheme Death Benefits**

The Main Aim of this unit:

The aim of this Unit is to provide occupational scheme administrators with an overview of the different types of lump sum death benefits and dependant's/civil partner's pensions available and Her Majesty's Revenue and Customs conditions for their payment to member's dependants or their legal personal representative.

The learner will need to know and understand:

**Why administrators should always check the rules of the pension scheme**

- HM Revenue and Customs (HMRC) rules and how they should be applied to occupational pension schemes.
- Scheme rules can have different rules to the HMRC rules and are not always the same.
- Terminology used in scheme rules may differ from terminology used in the HMRC Registered Pension Schemes Manual.

**Lump sum death benefit payment timescales**

- Notification from various parties.
- 2 year timescales and penalties.

**The importance of Expression of Wish/Nomination forms**

- Trustee Discretion.
- Inheritance Tax relief.

**The names of the Nine different HMRC Lump Sum Death Benefits available.**

**The features of the main four Lump Sum Death Benefits (Defined Benefit Lump Sum / Uncrystallised Funds Lump Sum / Pension Protection Lump Sum / Annuity Protection Lump Sum) to include:**

- The type of scheme the payment can be made from.
- Any amount or age restraints on the amount to be paid out to beneficiaries.
- Common methods of calculating the lumps sums payable (multiple of salary, fund value etc).

<p><b>Dependant's pensions</b></p> <ul style="list-style-type: none"> <li>• HMRC definition of dependant.</li> <li>• Restrictions on paying a dependants pension.</li> <li>• Financial dependence and Mutual dependence.</li> <li>• Scheme specific definitions.</li> <li>• Children's pensions.</li> <li>• Dependants pension rules (scheme rules, maximum amounts, restrictions, types of pensions available).</li> <li>• Rules surrounding spouses who are significantly younger than member.</li> </ul>
<p><b>Contracted-out rights and how they impact on dependants pensions</b></p> <ul style="list-style-type: none"> <li>• Rules regarding the payment of widows/widowers GMP on death.</li> </ul>
<p><b>Death in deferment</b></p> <ul style="list-style-type: none"> <li>• Dependants pension.</li> <li>• Lump sum benefits available.</li> </ul>
<p><b>Administration issues &amp; timescales</b></p> <ul style="list-style-type: none"> <li>• Lifetime Allowance information.</li> <li>• Information to be sent to the Legal Personal Representative.</li> <li>• The role of the Legal Personal Representative.</li> <li>• The Information required by the administrator to complete a death case.</li> </ul>

**The Learning Outcomes for this unit:**

On successful completion of this unit the learner will:

1. Know the death benefit options available following the death of a member/pensioner in an occupational pension scheme.
2. Know the occupational pension scheme rules and options available to a dependant following the death of a member in each of the following:
  - (a) Death in service.
  - (b) Death in deferment.
  - (c) Death in retirement.
3. Explain the definition of a Dependant and the restrictions on a dependant's pension.
4. Know the impact on a death benefit payment for a member who has died whilst still a member of the pension scheme and who has contracted-out rights within his/her accrued pension benefits.
5. Know Her Majesty's Revenue and Custom (HMRC) timescales for payment of death benefits to a member or pensioner.

**Assessment Method**

Assessment is via examination compiled, carried out and marked in-house (PMI recognised centre). Assessment is to cover all of the learning outcomes and the topics for study in order to pass this unit.