

Benefits on Death After Retirement

Chapter 11

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Lump Sum Benefits

11.1

No lump sum benefits may be paid if death occurs after retirement except:

- (a) any payment due under a guarantee attaching to the pension (**paragraphs 11.8 to 11.12**), or
- (b) any sum falling due under a life policy or scheme rule that gave continued cover on death after retirement (see [Chapter 6.9](#)).

Spouse's, Civil Partner's and Dependants' Own Right Pensions

11.2

A spouse's or civil partner's pension may be provided up to a limit which is equal to the maximum aggregate pension that could be approved for the employee (whether or not the employee was actually given that maximum). Alternatively, a similar pension may be provided for a *dependant*. If the employee leaves both a spouse or civil partner and a *dependant*, or if there is no spouse or civil partner but more than one *dependant*, no single pension nor the aggregate of all pensions payable under this paragraph may exceed the above limit. In this paragraph, "maximum aggregate pension" means the maximum in the particular circumstances in which the employee himself/herself retired i.e. at normal retirement age (*NRA*) or earlier or later than *NRA*, increased proportionately to any rise in the Consumer Price Index (*CPI*) from the date from which the employee's own pension became payable.

Guaranteed increases of pensions may be made using either of the following formulae -

- (i) Fixed increases of not more than 3% p.a. compound (regardless of *CPI* levels), **or**
- (ii) Increases linked to the *CPI* or other similar agreed index.

A combination of (i) and (ii) is not acceptable.

11.3

Spouse's, civil partner's and *dependants'* pensions may commence on the employee's death except where the member's pension is guaranteed for more than five years, in which case the spouse's or civil partner's pension must not commence until the end of the guaranteed period.

11.4

A spouse's or civil partner's pension may continue for life, or it may cease on re-marriage or on entry into a new civil partnership. A pension for a child must cease when the child ceases to be a *dependant*. Pensions payable to other *dependants* may continue for life irrespective of any later change in the *dependant's* circumstances.

Allocated Spouse's, Civil Partner's and Dependants' Pensions

11.5

Part of an employee's own pension may be surrendered to provide a spouse's or civil partner's pension. The spouse's or civil partner's pension may not exceed the amount retained by the employee. This option is also available where a spouse or civil partner has an entitlement to a separate pension under another scheme or under another rule of the same scheme. For the purposes of calculation, the reduced pension retained can include any part of the employee's pension that has been commuted and the pension equivalent of any separate lump sum benefit.

11.6

Alternatively, a pension for a *dependant* coming into payment on the employee's death after retirement may also be provided by means of the surrender of part of the employee's pension, subject to the same conditions as for a spouse or civil partner. A retiring employee who is likely to be survived by a spouse or civil partner and by one or more *dependants* may similarly provide reversionary pensions for them so long as these pensions do not exceed in aggregate what is left for himself or herself.

11.7

Payment of an allocated pension unlike an own-right pension, (see **paragraph 11.3**) may commence on the member's death even if payment of his pension continues under a guarantee for more than five years.

Guaranteed Minimum Benefits

11.8

If benefits paid under an approved scheme are less than the member's own contributions plus reasonable interest, the rules may provide for payment of a lump sum equal to the difference.

11.9

If the employee made separately identifiable contributions to provide an independent spouse's or civil partner's pension or a pension for *dependants*, provision may similarly be made for payment of a lump sum equal to the excess of those contributions plus interest over the amount actually received by the beneficiaries.

11.10

As an alternative to the guarantees in **paragraph 11.8**, an approved scheme may provide that a pension payable to a retired employee may continue for a period of up to ten years despite the pensioner's death within that period. If the guarantee period does not exceed five years and the *NRA* is not more than 70, an immediate lump sum may be paid equal to the instalments falling due after the pensioner's death. This may reflect quantified cost of living increases that would have been paid if the pension had continued.

11.11

Spouse's, civil partner's and *dependants'* pensions may not be guaranteed for a minimum number of years except that, where an allocated pension for a spouse, civil partner or *dependant* has been provided by surrender of part of the member's pension, the allocated pension may be guaranteed for a period not exceeding five years after the commencement of the member's pension.

11.12

Payments under **paragraphs 11.8 - 11.11** may be made to a member's spouse, civil partner or *dependant*, or to the legal personal representatives, or to a nominated beneficiary, at the discretion of the employer, trustee or *administrator*.