



BCSSS

Members' fact sheet
For members of the British Coal Staff Superannuation Scheme

Procedures on death

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This fact sheet explains the procedures followed by the BCSSS administration office when a Scheme member dies, and it outlines the Scheme's provisions for the payment of benefits on death. We hope it will be a useful reference document for members and their families.

Informing the Scheme of death

The BCSSS administration office should be informed of the death by letter, e-mail or telephone as soon as is practical. The information needed is:

- full name and address of the deceased member
- their Scheme membership number. This can be found on the monthly payslips sent to pensioners and the annual benefit statements sent to deferred pensioners. But don't worry if it can't be found, we should be able to find the member's record in other ways
- date of death
- date of birth
- name of the next of kin and their relationship to the deceased
- the address to which any communication should be sent.

We will write to the next of kin or the person dealing with the deceased member's affairs within a week of the notification to let them know what further information is required. We will usually need to see the death certificate. For legal reasons we have to see the original rather than a copy, but we will return the certificate promptly. If a widow's or widower's pension is being claimed we will also ask to see the marriage and birth certificates and we may ask for information about any children of the deceased member who might qualify for benefits.

Stopping the member's pension

The entitlement to pension from the Scheme ceases on the day of death so we will make arrangements to stop paying pension from the day following the date of death.

Pensions are paid monthly in arrears so unless death occurs on the last day of the month only a part month payment will be due for the month in which the member died. If possible the payment for that month will be stopped and a part month payment to the date of death will be paid to the member's estate (less a tax deduction if the member paid tax on his/her pension). In practice the final month's

pension will often have been paid before the notification of death is received which means that pension will be overpaid. No attempt is made to recover the overpayment for the part month in which death occurred. But if the notification of death is not received in time to stop the pension payment for the following month, then we are obliged to recover that overpayment, and any further overpayments. Recovery of the overpayment is either from the member's estate, or from a dependant's pension if one is payable and the beneficiary agrees to that method of recovery.

Dependant's benefits

A dependant's pension may be payable on the death of a pensioner or deferred pensioner as long as the member paid **family benefit contributions**. If the member took the levelling option then the levelling option adjustment made to his/her pension is ignored for the purpose of calculating a dependant's pension. Similarly, if the member's benefits were reduced for early payment, the reduction is ignored for the purpose of calculating any dependant's pension. Please note that in this context "pensioner" means only a former contributor to the Scheme; no further benefits are payable following the death of a dependant.

Widow's, widower's and adult dependant's benefits

A pension for life will be paid to the widow or widower of a Scheme member. If family benefit contributions were paid for the full period of membership the pension is 2/3rds of the member's pension ignoring any reduction for early retirement or adjustment for levelling option. If family benefit contributions were paid, but not for the whole period of membership of the Scheme, the pension will be reduced proportionately in accordance with the length of service for which family benefit contributions were not paid. If there is no legal spouse but the member dies leaving someone who was financially dependent on him/her, then the Trustees have the discretion to pay an adult dependant's pension. Payment could, for example, be made to the member's partner or to a relative. If a claim is received for the payment of an adult dependant's pension then we arrange a home visit by a Scheme representative to obtain information from the claimant to help the Trustees make their decision.

Pensions payable to widows, widowers or adult dependants are subject to income tax.

The amount of pension over and above the Guaranteed Minimum Pension* may in certain circumstances be exchanged for a tax free lump sum death benefit instead, provided the lump sum is below the deceased member's unused Lifetime Allowance. The Lifetime Allowance for the tax year 2008/2009 is £1,650,000. Any lump sum death benefit paid in excess of the deceased member's unused Lifetime Allowance will be taxed at the rate of 55%. Lump sum death benefits can only be paid if the member was under the age of 75 at the date of his death. After that age, any benefits due to survivors must be in the form of a life pension.

Taking a cash lump sum instead of a pension may not be in the best financial interests of dependants, who may have to live on the income for many years. The Trustees strongly recommend that dependants consider seeking independent financial advice before deciding whether to take cash from the Scheme instead of pension income.

* Guaranteed Minimum Pension (GMP) is the minimum the Scheme must provide to you as a consequence of being contracted out of the State Earnings Related Pension Scheme (SERPS).

Children's benefits

Children's benefits may be payable in respect of a child of the deceased member. In the case of a member who left service with a deferred pension, children's benefits are not paid in respect of any child born more than 12 months after the date of leaving service. A child is someone who is:

- under 18 years old;
- over 18 but in full-time education, with the proviso that the payment stops at age 21 unless the Trustees are satisfied that there is good reason why the child's education should continue to be supported;
- certified by the Scheme's Medical Adviser as disabled and incapable of self support and who was financially dependent on the member before he died. In these circumstances benefit may be payable for life.

If a spouse or adult dependant's pension is payable the children's benefit is either a minimum flat rate amount or, if greater, 20% of the member's pension at date of death for one child or 40% for two or more children. If a spouse or adult dependant's pension is not payable the percentages are 40% and 80% respectively. There is a proportionate reduction to the benefits calculated on the percentage basis if family benefit contributions have not been paid for the whole period of membership of the Scheme, subject to benefits not being reduced to less than the minimum flat rate amount. There will now be very few members with children under age 18 who did not pay family benefit contributions.

Children's benefit is usually paid on behalf of the child or children to the member's spouse. If there is no spouse, or if this arrangement is not appropriate, the Trustees can decide who should receive the payment.



Cash sums paid on death

Cash sum when death occurs within a short period of pension starting

Usually a cash sum is payable when a member dies within five years of the pension starting. The cash sum is the amount of Guaranteed pension* due for the remaining balance of the five year period after the date of death, based on the member's initial rate of pension. There is no tax deduction from the payment by the Scheme unless the cash sum exceeds the deceased member's unused Lifetime Allowance, in which case it will be taxed at the rate of 55%.

There are different arrangements for the payment of a cash sum on the death of a member who received ill health retirement benefits:

- for members who left coal industry employment with an ill health pension a cash sum is paid of up to three years pensionable salary less the benefits already paid (including any lump sum retirement benefit). If the benefits already paid are greater than three years pensionable salary then nothing will be payable;
- for members with deferred benefits paid early as a result of ill health, the cash sum paid on death is the amount payable on death in deferment (as outlined in the next section of this fact sheet) less the benefits already paid (including any lump sum retirement benefit). If the benefits already paid are greater than the death in deferment cash sum then nothing will be payable.

Please note that in this context "pensioner" means only a former contributor to the Scheme; no further benefits are payable following the death of a dependant.

Cash sum following the death of a deferred pensioner

A cash sum is automatically payable on the death of a deferred pensioner. The amount paid is rather complex, being the better of a number of calculations. For most members it is the best of:

- 3/80ths of pensionable salary at date of leaving for each year of contributing service, plus cost of living increases to date of death; or
- 1/10th of pensionable salary at date of leaving for each year of contributing service, up to a maximum of 4 years pensionable salary; or
- for members with more than 10 years service, their pensionable salary at date of leaving plus cost of living increases to date of death.

There is no tax deduction from the payment by the Scheme unless the cash sum exceeds the deceased member's unused Lifetime Allowance, in which case it will be taxed at the rate of 55%.

Payment arrangements for cash sums

Members have the option to complete an "election and declaration" under Rule 28A of the Scheme. This gives the Trustees the discretion to make payments to relatives and dependants rather than to the member's estate. Normally they will make payments in accordance with the member's wishes as expressed in the declaration. Such payments do not count as part of the member's estate and so are not liable to inheritance tax.

If a payment is to be made for the benefit of a child under 18 then we will establish a trust fund for the child and we usually try to appoint a parent and a local professional person as the Trustees.

If an election and declaration has not been completed then the arrangements for paying the cash sum will be as shown in the table below.

Amount payable	Requirements for payment
any amount up to £499.99	Amount paid on production of death certificate to spouse or dependant.
£500 to £4999.99	Payable to the member's estate on production of Grant of Probate or Letters of Administration (Confirmation document in Scotland). If the member died without leaving a will, and Letters of Administration are not being obtained, the amount will be paid to the spouse or dependant responsible for payment of the receipted funeral account.
£5000.00 +	Payable to the member's estate on production of Grant of Probate or Letters of Administration (Confirmation document in Scotland).

* Guaranteed pension should not be confused with GMP. Your Guaranteed pension is that fully guaranteed by the Government.

Divorced members

Pension sharing (splitting)

The courts have been able to make pension sharing orders in respect of petitions for divorce or annulment (but not separation) made on or after 1 December 2000. A pension sharing order achieves a “clean break” by splitting the member’s pension so that part is transferred to the former spouse. If a pension sharing order has been made by a court, the share for the former spouse will have been transferred to a pension arrangement of their choice, leaving a reduced pension for the member. Any benefits payable on the member’s death will be calculated by reference to this reduced pension. If the member re-married, his/her spouse will be entitled to any spouse’s pension payable by the Scheme. No further benefits are payable on the death of a former spouse who retained their transferred share of the member’s benefits in the BCSSS.

Attachment (earmarking) orders

The courts have been able to make pension attachment orders in respect of petitions for separation, divorce or annulment made on or after 1 July 1996 (19 August 1996 in Scotland). An attachment order “earmarks” part of the member’s benefit for payment by the trustees of a pension scheme to the former spouse. Payments made to a former spouse under an attachment order cease on the member’s death or re-marriage. In most cases, the amount of any death benefits payable on the member’s death is not affected by the existence of an attachment order, however, the order may require part or all of any death benefit lump sum to be paid to the former spouse. Courts cannot require any part of a spouse’s pension payable on the member’s death to be paid to the former spouse. If the member re-married, his/her spouse will be entitled to any spouse’s pension payable by the Scheme.

More information can be found in our leaflet on divorce.



Important notes

Please note that:

- this fact sheet is a guide to the benefits paid by the Scheme on a member's death and to the procedures operated by the Scheme. It should be treated only as a guide. The Rules of the BCSSS, other legal documentation and the law, and the procedural arrangements operated by the administrators on behalf of the Trustees, override the information in this fact sheet in the event of any inconsistency;
- spouse's and dependant's pensions will be considered as income for any means-tested State benefits.

How to get in touch with the BCSSS

For more information please contact the Scheme's administration office:

Address

The Administration Office
BCSSS
5th Floor
The Fountain Precinct
Balm Green
Sheffield
S1 1JA

Telephone (UK local numbers)

Surname A-J **0845 6090012**
K-Z **0845 6090013**

Telephone (Abroad standard charge numbers)

Surname A-J **(+44) 114 203 4613**
K-Z **(+44) 114 203 4629**

E-mail

bcsss.enquiries@aonconsulting.co.uk

Please remember to quote your **National Insurance Number/Scheme Membership Number**.