

What happens when someone passes away?

ROB: They say that two things in life are certain. Death and taxes. But we don't often talk about death or the financial complications it brings when someone close to you passes away.

EMILY: That's why, today, we're talking about what happens to your pension after you die, the benefits available for your loved ones, and what you can do now to make the process easier for those that you leave behind.

ROB: And with us to talk about this important topic are Dean Norman, Senior Pension Administrator from the Bereavements Team, and Rosie Geeves, Head of Retirement and Member Services from Civil Service Pensions. Hi Dean, hi Rosie, thank you so much for joining us on the podcast today.

ROSIE: Hi Rob, hi Emily, thanks for having us. Great to be here.

EMILY: So, Rosie, I'll come to you first. There seems to be a real taboo around this subject, particularly when it comes to talking about it with your loved ones. Why do you think that is?

ROSIE: Thanks, Emily. It's a great question. Not something we like to choose to talk about, but often it leaves us feeling uncomfortable. Avoiding it, though, can leave us vulnerable and unprepared, not just for death and the grief that it brings, but the paperwork and formalities that we have to deal with in this emotional time. We're an ageing population. Uh, we're living longer and yet we're still so reluctant to talk about it. Now you can't prepare for everything in life or in death, but you can manage your financial affairs and what you might be able to do and what you might leave your loved ones in the future.

ROB: So true. Emily, I think you've got some data to help bring this to life?

EMILY: Yeah. So, I did some research and according to a study conducted by the National Wills Register in 2023, 56% of adults haven't made a will, and there's a gender gap when it comes to this. 50% of men say that they have while only 39% of women said the same.

42% of adults, so less than half, haven't talked to their loved ones about what will happen when they pass away, and interestingly, there's also a sense of apathy. So, whilst most people in this group said that they simply haven't got around to it yet. 16% said that they aren't bothered about what happens when they die, and an extra 3% said they don't think it's the business of their family to know any of those details, which is quite interesting.

49%, so almost half, said that their parents told them nothing and left no instructions, no information on where to find a will, absolutely nothing, and that can cause a significant amount of stress and complication. So, that paints a bit of a picture. Let's now look at the Civil Service Pension in particular. Dean, when somebody dies, what happens to their pension?

DEAN: In alpha, depending on your circumstances, there are usually two benefits available, a lump sum and pensions for your dependents. Firstly, you can't leave your pension to someone on your will. You should nominate someone or some people to receive any death

benefit lump sums using a death benefit nomination form, which can be found on our website.

Otherwise, the lump sum will be paid to your estate and grant of probate will likely be required. Secondly, there'll also be benefits available for your loved ones. This could include a spouse, a civil partner, a cohabiting partner, or children. What these look like will depend on whether you've already retired and receiving your pension, or if you've left the Civil Service and haven't retired yet, or even if you're still in the Civil Service when you die.

ROB: Dean, can I just clarify something that you just said there? So, what is grant of probate?

DEAN: Grant of probate is when the courts decide who is the legal executor and able to receive monies. If the threshold is over £10,000, we require grant of probate to release any money, unless it's the spouse claiming, in which the threshold is £40,000.

ROB: Okay. So, basically, if you don't make that nomination, you lose the opportunity to decide who gets the benefit.

DEAN: Exactly, yeah. And there's a bit of delay when we need to receive a grant of probate to process out the payment. Whereas if you make a nomination, we can just pay the nominee straight away.

ROB: So, that can help remove some of the stress and anxiety during what is already quite a difficult time.

Absolutely. Yeah. So, the scheme can provide for your loved ones as well as for you. So, Dean, can you talk us through death benefits in perhaps a bit more detail?

DEAN: Absolutely. So, let's look at the lump sum first. Now, this is usually paid to anyone you've nominated. as part of the death benefit nomination or to your estate if you don't make a nomination.

Now, how it's calculated and how much they'll receive depends on your circumstances when you die. Firstly, if you've already retired and you're claiming your pension, it's calculated as five times your annual pension including you. Any adjustments based on price indexing and minus any pension that you received.

However, if you're in classic, we'll also need to deduct any classic retirement lump sums that you've received. But it's important to note that if you've retired, a lump sum is only payable if you die within five years of retiring. If you die in service, it'll be worked out in one of two ways and your recipients will receive whichever amount is higher, it'll be two times your final pay or five times the pension that you've built up at the date of your death.

Finally, if you've left the Civil Service or opted out of a scheme, but have a preserved a pension award, it's going to be five times your annual pension at the date of death, including any adjustment based on price indexing.

ROB: Okay, so, dependent pensions, then, is another thing, isn't it? So, talk us through that, Dean.

DEAN: Absolutely. Dependent pensions are a little bit more complicated because there's so many circumstances to take into account. There are two types of dependent pensions available. One for adults, and one for children. They'll receive a percentage of your pension. If you've already retired, or partially retired, and claiming your pension, the pension that any surviving adults will receive will be equal to 37.5% of the original pension that you were awarded, including price adjustment to the date of death. Plus, if you bought added pension, which include benefits for your dependents, they'll also get 37.5% of this too.

If it was just for you, then there won't be any added pension for any dependents. Now, if you die in service, so that's an active member of the scheme, we will calculate, first of all, your total earned alpha pension. And that's going to be your pension that came from your pensionable earnings each year. And this doesn't include any transferred in or added pension that you've purchased.

Then, your total earned alpha pension will be enhanced before dependent pensions are worked out. Any surviving adult dependents will receive 37.5% of your enhanced pension. And again, they'll also receive 37.5% of any added pension that you've purchased that included benefits for your dependents, child dependents.

Now, how much they will get will depend on how many children are and whether there's a surviving adult dependent pension to be paid too. If there's an adult dependent pension due then for one or two children, each eligible child will receive a pension equal to 30% of your pension. But if there are three or more children, the total of our pensions will be equal to 60% of your pension with each child receiving an equal share.

If there is no adult dependent pension payable for one or two children, each eligible child will receive a pension equal to 50% of your pension. But if there are three or more children, the total of their pensions will be equal to 100% of your pension with each child receiving an equal share.

ROB: Cor, it's so complicated, isn't it? How do you retain all of that information? I mean, it's a lot to navigate, isn't it, for someone who's just, like, lost a loved one? You must see that. Like, it must be quite hard for people to understand this, Rosie.

ROSIE: Absolutely, Rob. And I think the best advice would be to go and seek information on the Civil Service Pension Scheme website. Although it's there for members, it's also there for loved ones as well. They can go on, they can understand and look at those benefits and what is applicable to them in that situation.

ROB: So, just going back to that massive download of information you were giving Dean, I'm conscious that we've not talked about, sort of, preserved pension and there may be some other bits and pieces that you want to cover off.

So, can I ask you to carry on sort of being the font of all knowledge on this topic?

DEAN: Absolutely. So, if you have left the Civil Service, but you've got a preserved pension award and haven't started claiming your pension yet, it's going to be worked out the same way as if you died in service, but there's no enhancement due before dependent pensions are worked out, but the same percentages are going to apply.

Now, there are various rules and eligibility criteria involved in death benefit, which you can find more information on. On the alpha scheme guide, you can also find information on how benefits for your loved ones work and legacy schemes in the scheme guides. And we'll include a link in the episode description.

Now, finally, the 2015 Remedy McCloud programme is also part of the picture here. Now, those impacted by remedy will be asked to make a choice of how they'd like their service during the remedy period to be calculated at the point of retirement. Unfortunately, some people die before claiming your pension.

And if this happens, the scheme will identify and appoint a decision maker who will then need to decide how the death benefits will be calculated for this period. So, you'll still get the remedy choices.

EMILY: Wow, a lot of detail there. Thanks Dean. Rosie, I'll come back to you for our final question. What can members do now to make sure that we're aware of their wishes?

ROSIE: I think it really touches back on what Rob asked earlier. Firstly, I'd encourage anybody to go onto the Civil Service Pension Scheme website and view all the information that we've got there. Members can then take proactive steps in ensuring their affairs are in order. They can do things like making death benefit nominations, completing partner declaration forms, and keeping their nominees up to date, all of which can be completed and updated via the online portal, but there is a printable version too of the form.

But don't worry, if a member does get divorced, the nominee does get automatically voided, and there is no action that they need to take on that. Finally, I'd also say it's helpful for members to note down things like member numbers, the scheme that they're in, their start date, even the date they may be retired or left the scheme.

All of this will be incredibly helpful to their loved ones when dealing with this situation.

ROB: Brilliant. So, where can people find out more about the, sort of, process and the benefits that are available to them in the scheme?

DEAN: So, head to civilservicepensionscheme.org.uk/bereavements to find out more details about what we've discussed today.

ROB: Dean, Rosie, thank you so much for joining us today to do this deep dive into this really important topic.

DEAN: Thanks for having us.

EMILY: To find out more about anything we've talked about today, or to tell us what you'd like us to cover in a future episode, head to civilservicepensionscheme.org.uk/podcast. You can also find links to information, transcripts and accessible versions of this podcast in the episode description.

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EMILY: This minisode was recorded in July 2024. All information is accurate at the time of recording. Thanks for listening.