


# What happens if you die?

## Raytheon Final Salary Pension Scheme - HMEL

While none of us want to think too much about this, it can be reassuring to know that your loved ones will be looked after when you're no longer around.



Your Nomination form sets out your directions as to how you would like the Trustees to apply any lump sum benefit arising under this Scheme in the event of your death. Making sure you have an up-to-date form will mean that should the Trustees need to pay these benefits, there shouldn't be any unnecessary complications or delays for your family. You can complete this form – or update it - online by logging on to My Pension Portal from the website.

# What your loved ones receive from the Scheme when you die

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## 1. If you die while contributing to the Scheme

The benefits paid would be:

### Lump sum

A lump sum of three times your **Death Benefit Salary** at the 1 April before your death.

A refund of your contributions to the Scheme (including any paid by your employer on your behalf), plus interest, and the value of any Additional Voluntary Contributions (AVCs) you have paid.

### Pension

A pension for your spouse or civil partner (or other dependant if the Trustee agrees) of half of the pension you would have received if you retired at Normal Retirement Date, but based on your **Final Pensionable Salary** at the time of your death.

## 2. If you die after leaving the Scheme but before retiring

The benefits paid would be:

### Lump sum

A refund of your contributions, plus the value of any Additional Voluntary Contributions (AVCs) you have.

### Pension

A pension for your spouse or civil partner (or other dependant if the Trustee agrees) equal to 1/160th of your **Final Pensionable Salary** for each year of Pensionable Service you have completed. (You can find more details about how these figures are worked out in the leaflet 'How your benefits are worked out' on the '**Documents**' page.)

Please note that if you get married or enter a civil partnership after leaving, and then you die within six months of this, any pension for your spouse or civil partner would only be paid at the discretion of the Trustee.



## 3. If you die in retirement

### Your pension guarantee

If you die within five years of retiring, a lump sum would be payable that's equal to the amount you would have received in pension over the rest of those five years. For example, if your pension was £10,000 a year and you died after one year, your family would receive a lump sum of £40,000.

If you die within five years of retiring but after age 75 (i.e. you retire after age 70), instead of a lump sum as described above, your family will continue to receive a pension until the end of the guarantee period, as if you were receiving it.



### Spouse's pensions

A pension for your spouse or civil partner (or other dependant if the Trustee agrees) that's half of your full pension at retirement – so before any exchange of pension for a cash lump sum, or extra dependant's pension - plus any pension increases since you retired.

Spouse's pensions increase each year to help them keep their value against inflation, in the same way as your pension does.

## Jargon buster

### Death Benefit Salary

This is your basic annual salary at the date of your death, plus an amount equal to the shift allowance you have earned in the year ending on the 1 April before your death.

### Final Pensionable Salary

This is the yearly average of your highest three consecutive Pensionable Salaries in the ten years before you retire, leave service or die.

### Pensionable Salary

This is set each year on 1 April and is calculated as:

- For service before 1 June 2006, your gross earnings ignoring any reduction in your salary as a result of paying pension contributions.
- For service from 1 June 2006, your basic salary (ignoring any reduction in your salary as a result of paying pension contributions) minus an amount equal to the Basic State Pension for the tax year immediately following the calculation date.
- A cap was introduced that impacts Pensionable Salaries from 1 April 2012 onwards. This means that your Pensionable Salary can't increase by more than 1% a year. The cap doesn't apply to aspects of your salary that aren't covered by your annual pay review, e.g. bonuses and overtime.
- There's also an overall cap on your Pensionable Salary – this increases each year and for the 2021/22 tax year is £172,800.

# Case study

Eric retires at age 65 with a pension of £20,000 a year from the Scheme, taking a tax-free cash lump sum of £100,000. His pension increases by 1.2% in the first year of his retirement, so his pension is then worth £20,240. When he dies just 18 months into retirement, his wife Jenny receives:



## A lump sum of £70,840:

Eric was entitled to receive 5 years' worth of pension payments, but in fact received only 1.5 years' payments.

So Jenny is entitled to receive a lump sum payment for the remaining 3.5 years' worth of payments:

$$£20,240 \times 3.5 = \mathbf{£70,840}$$

+

## A pension for life of £12,687.50:

This is based on half of the pension Eric would have received if he hadn't taken a tax-free cash lump sum at retirement.

This pension would have been:

£25,000 and with an annual increase of 1.2% would have been worth **£25,375** at the time he died.

So Jenny's pension is:

$$£25,375 / 2 = \mathbf{£12,687.50}$$
 a year for the rest of her life.

# Notes

Please note that because of rules around contracting out, the Scheme may be obliged to pay part or all of any pension due to your spouse or civil partner, even if you have another dependant who is not your spouse or civil partner.

If your spouse, civil partner or other nominated dependant is more than 10 years younger than you, the pension may be reduced. The reduction would not be more than 2.5% for each year over 10 years by which your spouse is younger than you.

Occasionally, evidence as to your state of health may be required for benefits to be paid and/or restrictions may be put on death benefits – you'll be told if you're affected by this.