



BULLETIN FOR

Lump Sum Payment on Death

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LUMP SUM PAYMENT ON DEATH

LEGISLATIVE REFERENCE: The Pensions (Superannuation Funds and Retirement Schemes) Act (the "Act")

Section 13(2)(p)(i); 14(1)(b)(viii)

1.0 BACKGROUND

1.1 The Financial Services Commission has noticed in its review of the revised constitutive documents of some superannuation funds or retirement schemes, that the provisions of Section 13(2)(p)(i) of the Act has not been properly applied in the constitutive documents.

2.0 LEGISLATIVE REQUIREMENT

2.1 Sections 13(2)(p)(i) and 14(1)(b)(viii) of the Act provides for the maximum lump sum payment¹ which may be paid from an approved superannuation fund ("fund") or approved retirement scheme ("scheme") upon the death of a member of the fund or scheme. These provisions stipulate that this lump-sum payment on death is:

"(i) ... an amount not exceeding two years salary or wages or an amount representing the actuarial value of the member's interest in the fund, whichever is the greater;..."

3.0 PROVISION EXPLAINED

3.1 The foregoing provision provides a ceiling for lump sum payments on death. It does not stipulate the death benefit payable from a fund or scheme, to the beneficiary of a deceased member.

3.2 In amending the constitutive documents of pension plans to achieve compliance with the statutory requirement, due care should be taken to ensure that the revision made does not result in a fund or scheme undertaking to provide death benefits not contemplated by its sponsor(s) or trustees.

¹ This lump sum payment is also subject to Section 5(1)(c)(iv)(B) and Section 44(2)(b)(iii) of the Income Tax Act.

Questions regarding this bulletin may be directed to the Senior Director, Pensions at the contact details specified below:

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