

Case Study Assignment Module 9

Scenario – Stage 1

You are an administrator in a large third party administration firm and you are working on the helpline for customer pension enquiries. You receive a phone call from a Miss Reid who confirms that her father, John Reid, a current employee of XYZ Designs Ltd., died suddenly two days ago. Miss Reid informed the employer immediately prior to contacting you and was referred to you by the employer. Mr Reid was aged 49 and a contributing member of the DC Section of the XYZ Designs Pension Scheme (the Scheme). Miss Reid advises that she does not know whether her father made a will and is handling her late father's affairs. Miss Reid is unsure what she needs to do about registering his death; she has never experienced this before and would appreciate any help you can give. The deceased died in hospital in Surrey.

Question 1: What information should you tell Miss Reid on what she will need to do in respect of registering the death? (4 marks)

Scenario – Stage 2

Miss Reid confirms that her father died following a car accident, the police have told her there are no suspicious circumstances and the Coroner has given permission for the death to be registered so she advises that she will register the death as outlined above. Your Scheme procedures require the collection of the original death certificate and birth and marriage certificates of any spouse. A Scheme Beneficiary Data Questionnaire must also be completed and returned.

Question 2: What information should you request/obtain at this point and what reasons would you give?

You should consider what other suggestions you could make that might be helpful to this lady with her situation (5 marks)

Question 3: What other information should you request/obtain at this point (not from Miss Reid or other beneficiaries) and why? (3 marks)

Scenario – Stage 3

Miss Reid calls a few days later to confirm that the death certificate has been posted to your office along with other certificates and the completed beneficiary questionnaire. Miss Reid asks for details of the types of benefits that will become payable and when they are likely to be calculated and put into payment.

Question: 4: Using the extract from the scheme rules in the appendix, what are the types of benefit you can communicate to Miss Reid and how should you address the question of when they will be paid? (4 marks)

Scenario – Stage 4

You are able to find two completed Expression of Wish Forms on Mr Reid's records. One form was completed by the deceased when he joined the scheme in 2006, designating that 100% of his benefit should go to Mrs H Reid, his wife. However, Mr Reid recently changed his EoW a few weeks ago in favour of his two children but had not signed the form correctly and one of the administrators had been in correspondence with Mr Reid at the time of his death to obtain a new signature.

Two weeks later Miss Reid returns the completed Beneficiary Data Questionnaire, along with the original death certificate. The completed questionnaire confirms that Mr and Mrs Reid have one son aged 15 who was financially dependent upon the deceased. Mrs H Reid is described as currently financially dependent. The informant, Miss Reid, is aged 20 and was living with the deceased at the time of his death. There are no other dependants shown. On closer inspection of the documents Miss Reid has returned, you notice that the address shown for Mr Reid on the death certificate is different from the address at which Mrs Reid is currently living.

Miss Reid contacts you and advises that a solicitor has been appointed by the deceased's brother to settle the deceased's affairs and provides relevant contact details.

Question 5: What other questions should you ask Miss Reid at this point?

(5 marks)

Scenario – Stage 5

Miss Reid informs you that she dropped out of university when she was 19 but is expecting to start a new course later in the year. She has been living cost-free with her father since she was 19 which was when her parents separated; Mrs Reid is her stepmother. Miss Reid has a part-time job in a restaurant to help with her expenses until she starts her new course, and she has applied for a student loan.

You call Mrs Reid, who gets quite emotional, but gives you the following information:

- Mr and Mrs Reid separated in 2016 after her husband discovered her "friendship" with another man but they have never divorced. Their relationship remained amicable for the sake of their son.
- Mrs Reid is in a new relationship and lives with her new partner.
- Mr Reid was paying Mrs Reid £750 per month to support their son.
- Mrs Reid is not working and will be reliant on Mr Reid's death benefits to support their son.
- Mrs Reid's current partner is self-employed and does not have a stable income.
- To the best of her knowledge, Mr Reid was not living with anyone else at the time of his death.

Mrs Reid clearly expects to receive all the benefits from the pension scheme as the legal spouse and gets upset that you cannot confirm what will be paid to her.

Question 6: What should you ask Mrs Reid to provide to substantiate the above information? (4 marks)

Question 7: What points do you need to make to Mrs Reid to manage her expectations? (4 marks)

Scenario – Stage 6

A few days later you receive a call from a local solicitor, who is handling Mr Reid's affairs. Mr Reid has made a will within the last year and left his estate to be divided equally between his two children. The will allows for the family home (owned in joint names and not mortgaged) to pass to Mrs Reid in the event of Mr Reid's death before his divorce is completed. The solicitor emails a pdf copy of the will which confirms this information and you note that it has been properly signed and executed. The solicitor is chasing for details on what is payable, and when.

You also receive a call from the company HR department advising that there was a passenger in the car with Mr Reid at the time of the accident who describes herself as his girlfriend. This lady, Miss Jones, was also an employee of the company and a colleague of the deceased. Miss Jones has advised that she was planning to move in with the deceased. On investigating this matter further, Miss Jones regards herself as Mr Reid's partner. During a further conversation with the deceased's daughter, Miss Reid, she confesses that she knew about Miss Jones but did not regard her as a dependant; she had never been cohabiting with Mr Reid.

You have now spoken with a number of parties all of whom seem to have certain expectations. You have received the following additional information:

- confirmation of the college course to be attended by Miss Reid some six months' later and proof of her address which is the same as the deceased's;
- copies of bank statements from Mrs Reid confirming the regular payments of £750 per month for the last 14 months but no evidence of any other financial dependency;
- final pay and contribution details from the HR department; and
- the disinvested value of the deceased's pension account (£90,000).

Question 8: Based on the information outlined above and the extract from the rules, complete the table below to show who qualifies as a beneficiary for the lump sum death benefit and for a dependant's pension. Answer using "yes", "no" or "potential". (8 marks)

Mrs Helen Reid (legal spouse)

- Lump Sum death benefit (1 mark):
- Dependants' pension (1 mark):

The 15 year old son

- Lump Sum death benefit (1 mark):
- Dependants' pension (1 mark):

Miss Reid (The 20 year old daughter)

- Lump Sum death benefit (1 mark):
- Dependants' pension (1 mark):

Miss Jones (girlfriend)

- Lump Sum death benefit (1 mark):
- Dependants' pension (1 mark):

Question 9: Which benefits are discretionary and which are non-discretionary?
(4 marks)

Question 10: What should you say to the solicitor and what should you not say?
(3 marks)

Scenario – Stage 7

You put together details for the trustees to consider what benefits are payable. The trustees subsequently make the decision to divide the lump sum death benefits between the two children. The daughter is to receive the money directly but a trust is to be established for the son. The trustees will invite Mrs Reid and the deceased's brother to be trustees.

A dependant's pension of £12,000 per annum (£1,000 per month) is to be paid in respect of the son. This will be paid to Mrs Reid to assist with the son's maintenance and will be paid until he reaches age 18. If beyond age 18 the son remains in full-time education, the pension will continue to be paid but directly to him, up to a maximum age of 23.

The trustees have agreed that Miss Reid may apply for a dependant's pension when she takes up full-time education if she is under age 23.

You write to both Mrs Reid and the solicitor to advise them of the trustees' decisions. Mrs Reid is really unhappy that she is not getting any of the lump sum or a dependant's pension in her own right. She believes that she must be entitled to a pension and lump payment as she was not divorced from the deceased and is providing for her son. She implies that the trustees' decision is in some way perverse.

Question 11: what points could you make to Mrs Reid at this point to assist her in understanding the position and in dealing with her implied accusation?
(3 marks)

APPENDIX – Extracts from the Rules

Death before retirement

1) In the event of the death of a Member whilst in Contributing Service, there shall be paid:

a) In respect of a Member, his fund value at date of death, including all employee and employer contributions paid into the Fund in respect of the Member by the Company or any of the Participating Employers, together with interest thereon up to the date of the Member's death. The lump sum shall be paid to the deceased Member's estate or legal representatives; and

b) a lump sum equal to four times the Member's Pensionable Pay at the date of his or her death. The whole of the lump sum or any part or parts of the lump sum as the trustees shall think fit shall be payable at the absolute discretion of the Trustees having regard to the qualifying beneficiaries.

2) In the event of the death of a Member whilst in Contributing Service, the trustees can, at their discretion, pay a pension equal to 25% of salary to anyone who is a dependant of the deceased Member.

Meaning of "qualifying beneficiary"

Qualifying beneficiaries means any relatives, dependants, legal personal representatives or nominated beneficiaries of the deceased Member as the Trustees in their absolute discretion shall decide.

Meaning of "dependant"

Rule 23 of the Scheme rules refers to the Finance Act 2004, Schedule 28, Part 2 and gives the definition below.

1) A person who is not a child of the Member, but is a dependant of the Member if, in the opinion of the Trustees, at the date of the Member's death:

(a) the person was financially dependent on the Member;

(b) the person's financial relationship with the Member was one of mutual dependence, or

(c) the person was dependant on the Member because of physical or mental impairment.

2) A child of the Member is a dependant of the Member if the child:

(a) is aged under eighteen years;

(b) is aged over eighteen years but has not reached the age of twenty three and is in full-time education, or

(c) has reached age twenty three and, in the opinion of the Trustees was, at the date of the Member's death, dependant on the Member because of physical or mental impairment.