

# Are you thinking about death?

Ross Mitchell/Emilianna Fitzgerald/Stephen Gillick



# AGENDA

- Some facts
- Audience straw poll
- Death benefit trends
- Death benefit restructuring – examples
- Practical Considerations for Trustees and Employers
- Death benefits in a modern society?
- Q&A

# Facts about death.....

150,000  
per day

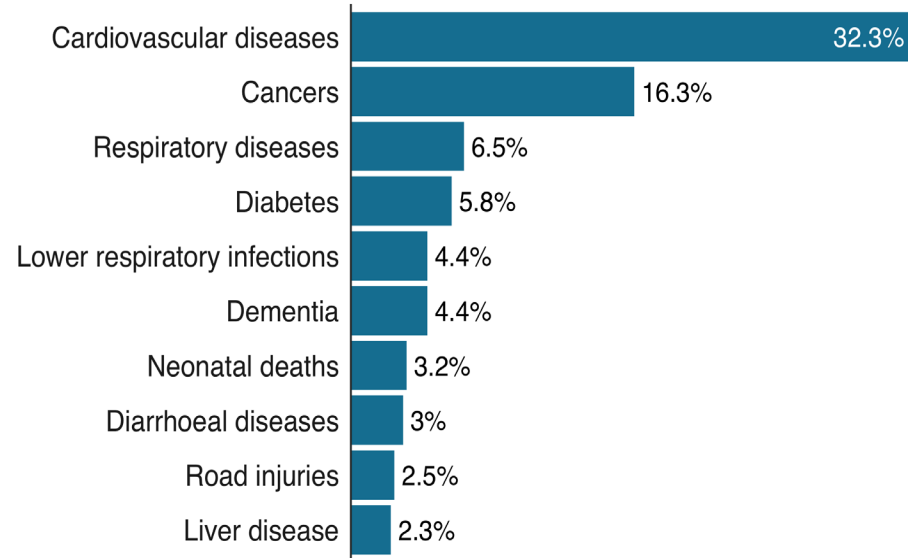


Source: <https://www.factretriever.com/death-facts>

# Causes of death

## Leading causes of death

World, 2016



Source: IHME, Global Burden of Disease, Our World in Data



# Ireland deaths

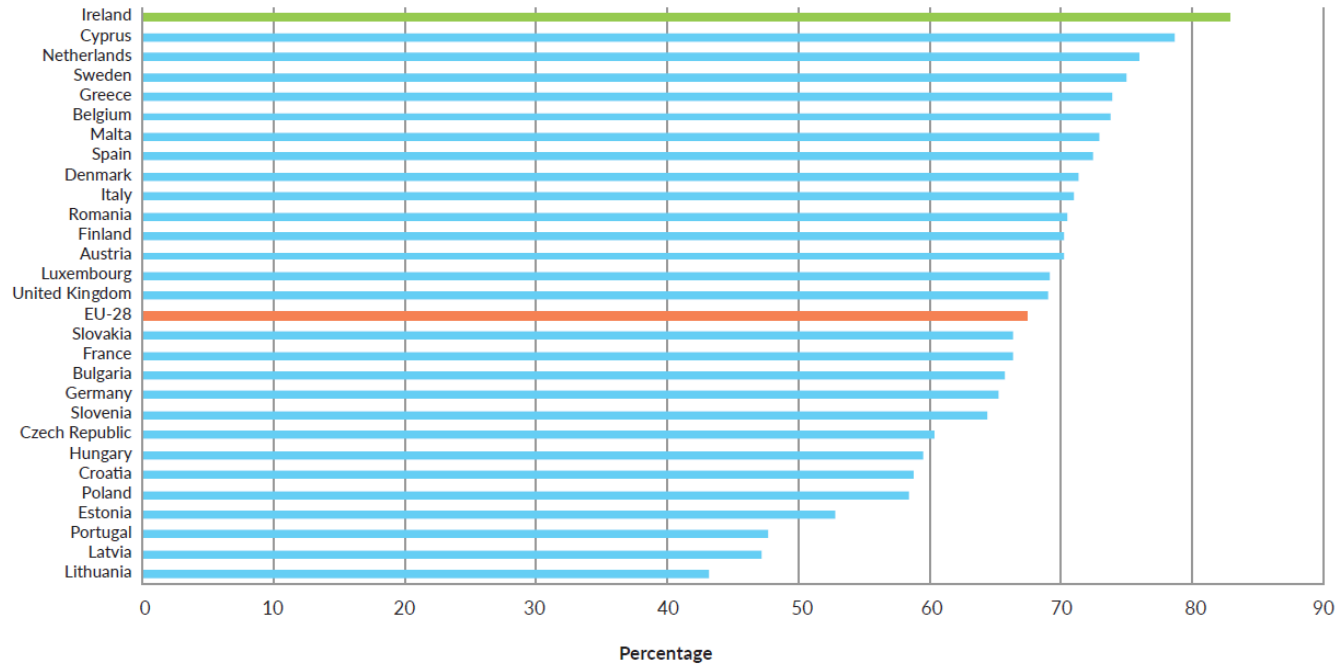
Cause of death	1916	Cause of death	2014
<b>Total deaths</b>	<b>50,627</b>	<b>Total deaths:</b>	<b>29,095</b>
<i>of which:</i>		<i>of which:</i>	
Measles	218	Measles	0
Scarlet fever	184	Scarlet fever	0
Whooping cough	525	Whooping cough	0
Diphtheria	200	Diphtheria	0
Influenza	712	Influenza	27
Tuberculosis	6,471	Tuberculosis	25
Carcinoma. Sarcoma. Cancer. Malignant Diseases	2,679	Malignant neoplasms	8,880
Diabetes	239	Diabetes	474
Meningitis and Encephalitis	446	Meningitis	7
Heart disease	5,373	Heart diseases	5,779
Bronchitis	4,164	Bronchitis	22
Pneumonia	2,544	Pneumonia	965
Accidents of pregnancy and childbirth, puerperal septic diseases	372	Complications of pregnancy, childbirth and puerperium	2
Homicide	24	Homicide	31
Suicide	68	Suicide	459
Execution	4	Execution	0
Other violent deaths	1,520	Other external causes of injury and poisoning	1,070

Source: Registrar-General Annual Report for 1916, Vital Statistics CSO

# The good news: Reality or myth?

**Figure 2.3**

Percentage of the Population Reporting Good or Very Good Health in EU-28 countries, 2016



Source: EU-SILC, Eurostat.

# Audience straw poll

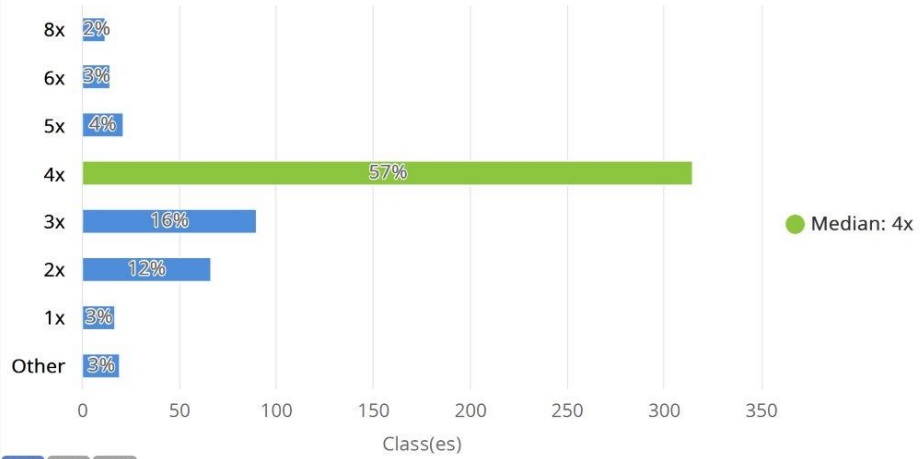
1. Who knows the level of benefit that would be paid in the event of their own death? Y/N
2. Who has got financial advice on the level of life cover they need? Y/N
3. Does your scheme have a defined process in place for dealing with death cases? Y/N
4. Does your scheme offer dependant's pensions on death for new hires? Y/N
5. Has any consideration been given to restructuring death benefits? Y/N

# Death benefit trends

## Lump Sum

## Dependant's pension

Amount of Benefit: Multiple of Annual Earnings



Annuity for Spouse / Select Beneficiary: Benefit

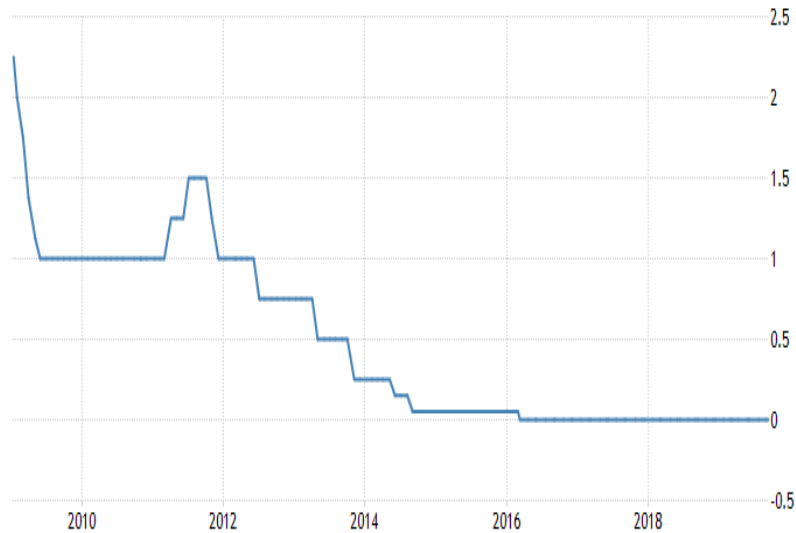


Source: Aon Greater Insight (Ireland)



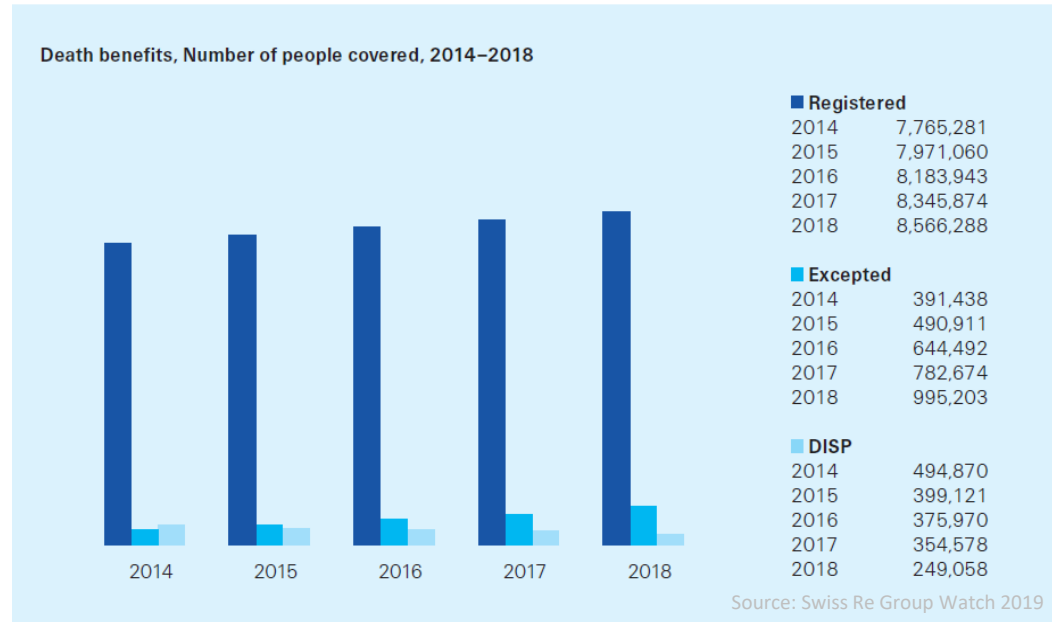
# The "death" of dependant's pensions?

Interest rates driving cost



SOURCE: TRADINGECONOMICS.COM | EUROPEAN CENTRAL BANK

UK perspective



Source: Swiss Re Group Watch 2019

# Death benefit restructuring - examples

Emilianna Fitzgerald

## Example 1: Consumer Services (> 1,000 members)

Members of DB scheme closing to future accrual; DC for future service



### Existing Benefits

Lump Sum: 4 x salary

Spouses' pensions: 50% of member's prospective pension (self-insured)

Children's pensions in addition (self-insured)

### Objective & Key Issues

Desire to provide members with broadly comparable benefits

Loss of spouses'/children's pensions in respect of future service

Necessity to insure benefits in future at appropriate level

Implementing cover

## Example 1: Consumer Services (> 1,000 members)

Members of DB scheme closing to future accrual; DC for future service



### Revised Benefits

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Lump Sum: 4 x salary (no change)

Spouses' pensions: 25% of salary inclusive of death in deferment spouse's pension from DB scheme *plus* value of member's DC retirement account

Additional lump sum to apply for temporary period

Children's pensions in addition

### Key Issues

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Calculating appropriate level of cover

Claims in shorter term

Implementing cover: actively at work requirements; non-medical limits

Affordable cost

## Example 2: General Industrials (500 - 1,000 members)

Members of DB scheme closing to future accrual; Funding proposal in place for DB scheme  
DC for future service

### Existing Benefits

Lump Sum: 4 x salary  
Spouses' pensions: 50% of member's prospective pension (self-insured)  
Children's pensions in addition (self-insured)

### Objective & Key Issues

Maintain existing benefits & continue to self-insure  
Mitigate any potential funding strain arising on a claim  
Manage cost efficiently  
Administration of future claims

## Example 2: General Industrials (500 - 1,000 members)

Members of DB scheme closing to future accrual; Funding proposal in place for DB scheme  
DC for future service



### Revised Benefits

Lump Sum: 4 x salary (no change)

Spouses'/children's pensions: unchanged and self-insured under DB scheme

*Additional lump sums insured to mitigate potential funding strains (varying by age up to 10x salary) – reduced by value of member's DC retirement account*

### Key Issues

Life assurance policy under DC scheme covering all members

Trustees the same under DB and DC schemes

Insurance inclusive of member's DC account

Participation in multi-national pooling vehicle

## Example 3: < 500 members

Business transaction: Past service DB entitlements not transferring; DC benefits to apply for future service



### Existing Benefits

Lump Sum: 4 x salary plus member contributions  
Spouses' pensions: 50% of member's prospective pension  
Children's pensions in addition

### Objective & Key Issues

Active de-risking in recent years, priority to manage pension risk  
Corporate strategy for pensions now DC  
Replacement benefit of broadly equivalent value  
Relatively complex DB benefits  
Unionised workforce

## Example 3: < 500 members

Business transaction: Past service DB entitlements not transferring; DC benefits to apply for future service



The diagram consists of two overlapping hexagonal shapes. The top one is dark grey and contains the text 'Revised Benefits'. The bottom one is red and contains the text 'Key Issues'. To the right of these shapes, there are two horizontal lines. The top line is above the 'Revised Benefits' text, and the bottom line is above the 'Key Issues' text. The text to the right of the lines is organized into two sections: the top section contains three lines of text, and the bottom section contains three lines of text.

### Revised Benefits

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Lump Sum: 4 x salary plus value of DC account in respect of member contributions

Spouses'/children's pensions: Additional lump sum (varying by age at death (up to 5x Salary)

Spouse's pension on death in deferment payable from DB scheme

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### Key Issues

Recent experience

Calculating appropriate additional lump sums

Communication & developing understanding



# Practical Considerations for Trustees and Employers

Stephen Gillick

# Payment of Death Benefits I

Distinction -Dependants Pensions /Lump Sum  
Death Benefit

## **Step 1** – Trust Deed & Rules

- Who Exercises The Discretion?
  - Named Class/Dependants
- Timing of Payment – Two Years Max

# Payment of Death Benefits II

## Step 2 - Fact Finding Mission

- Letter of Wishes

Not binding

Issues – Not sent to Trustees/Old/Malicious Contents

Must Be Detailed & Clear

Tip – Keep Under Regular Review

- Will
- Not Determinative

# Payment of Death Benefits III

- Questionnaire
- Immediate Family/Friends, Solicitor, Work Colleagues, HR Office, Trustees Personal Knowledge
  - Written Information
  - Receipts/Bank Statements
    - Marital Status
    - Extra Marital Children?
    - Financial Status
  - Financial Needs/Reliance on Deceased

# Payment of Death Benefits IV

## Step 3 – Exercise Discretion

- Lots of Case law
- Consider all Relevant Information/Disregard Irrelevant Information
  - What Would a Reasonable Trustee Do?

The Option of Leaving The Benefit to the Estate?

# Pensions Ombudsman Decisions

- Letter v Rules = Rules Win
- Don't Blindly Pick First Potential Recipient
- Informal Decision Making = Maladministration
  - Don't Pay Out on Limited Information

# Restructuring of Death Benefits

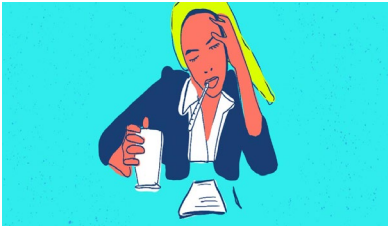
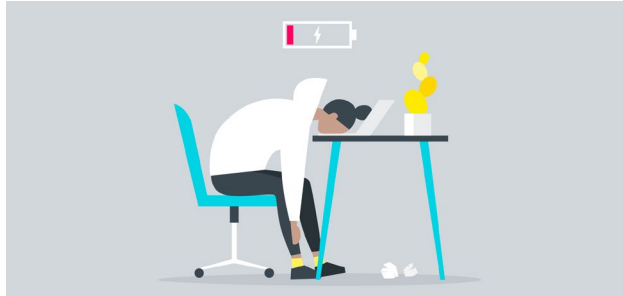
- Replacement of Dependents Pensions with Higher Lump Sum
  - Reduces Employer Risk & Cost
    - Trustee Consent?
  - Best Financial Interests of Members
    - Employee Consent?
- Existing Employees -Employment Contracts
  - New Hires – Less Problematic
  - Actuarial Advice Critical
  - Tax Implications of Change

# Death benefits in a modern society

Ross Mitchell



# The way we work is changing....



# For better or worse?



Image: The Future of Wellness at Work / Global Wellness Institute

**Books**

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*Elliot Perlman*  
Fri 27 Sep 2019 21:00 BST

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Workers feel more stress and anxiety than ever before. We need to talk about this

Whether they're slogging endlessly or just barely scraping by, people feel like they're drowning. Why?



▲ The demands of the world of work are incompatible with the demands of family and social bonds. Photograph: Alamy

Source: The Guardian

# ....should death benefits?

- Greater flexibility throughout life stages
- Guidance/support/advice – over or under insured?
- Limited term dependant's pensions
- Remove need for annuitisation
- Unapproved life insurance policies
- Bereavement support