Death of a scheme member before Retirement

In this Fact Sheet, the death of a scheme member before retirement refers to either:

• a contributory member who died before ceasing employment; or
• a deferred member who died before being paid their deferred benefit.

What benefits are payable?

A pension benefit from SSS is payable to an eligible spouse or de facto partner of a deceased contributory member or a deceased deferred member.

The spouse or de facto partner’s pension that is payable on the death of a contributory member is equal to two-thirds of the pension the deceased member would have been eligible to receive on normal (age) retirement, based on the salary and unit entitlement of the member at their date of death.

The spouse or de facto partner’s pension that is payable on the death of a deferred member is equal to two-thirds of the deferred pension that the deceased member would have been eligible to receive on normal (age) retirement. This pension is less than the normal (age) retirement pension payable to a contributory member, as it is discounted by the number of years between when the member’s employment ceased and their normal (age) retirement date.

The lump sum basic benefit, additional employer contribution (AEC) account balance and any Commonwealth Government co-contributions are also payable.

Pensions are adjusted annually in line with movements in the Consumer Price (All Groups Sydney) Index. A phasing-in formula applies in the first year after a pension begins.

A pension member aged 55 or over may elect to commute (exchange) all or part of their pension for a lump sum, providing the election is made within 6 months of:

• the pension starting, or
• reaching age 55.

If a commutation election is not made at this time, a further right to commute the pension arises at age 60. See SSS Fact Sheet 14: Exchanging your pension for a lump sum for more information.

A pension may also be payable for eligible children of a deceased contributor and for children of an eligible spouse or de facto partner in certain circumstances. See SSS Fact Sheet 12: Child pensions for more information.

Who is eligible for the spouse or de facto partner’s benefit?

An eligible spouse or de facto partner of a deceased contributor or deferred benefit member is:

a) the widow or widower of the deceased, or
b) a person in a registered relationship or interstate registered relationship with the deceased within the meaning of the Relationship Register Act 2010, or
c) a person who was in a de facto relationship - within the meaning of the Interpretation Act 1987 - with the deceased at the time of the deceased’s death.
A de facto partner may be a person of either the opposite sex, or if the deceased dies on or after 19 January 2001, the same sex.

Where claims are made by more than one eligible person, the Trustee may decide the appropriate distribution of benefits.

What if a pension benefit is not payable?

On the death of a contributor or deferred benefit holder who is not survived by any person eligible for a pension, the benefit paid to the personal representative of the deceased’s estate is the lump sum ‘withdrawal’ benefit that would have been payable on resignation from employment. The basic benefit, AEC account balance and any Commonwealth Government Contributions are also payable.

Is tax payable on a death benefit?

This depends on whether the benefit is paid to a dependant as defined under Income Tax Law. The type of benefit (pension or lump sum) and your age when the benefit is received are also factors.

Please see STC Fact Sheet 3: Taxation for details of the Commonwealth tax rules affecting superannuation.

Guaranteed minimum benefit

The withdrawal benefit will be the minimum benefit payable for your scheme membership. All lump sum and pension payments made to you and your beneficiaries will be measured against this benefit. Any difference, will be paid when you die, or a spouse who survives you dies and no further benefit is otherwise payable from the scheme, or when your spouse commutes all their pension.