

Schedule 5

Appendix 5

Death and Survivors' Benefits

1. General

On the death of a contributor at an age less than 65, a death benefit and a widow's pension may become payable. On the disablement of a contributor at an age less than 65, a disability pension may become payable. The earnings-related parts of these benefits are determined as percentages of an earnings-related pension based on the pensionable earnings record of the contributor, calculated in the same way as for a contributor's age retirement pension except that the primary contribution period ends at the date of death or commencement of the disability pension instead of at age 65. Also, on the death of a contributor after age 65, an earnings-related death benefit and widow's pension related to the contributor's age retirement pension may become payable. Because of the dependence of the named benefits on an earnings-related pension based on the pensionable earnings record of the contributor, benefit factors common to the calculation of all of these benefits were developed. Their development is described in section 2 below.

Although the amount of death benefit cannot exceed 10% of the contributory earnings upper limit applicable in the year of death, the limit will have effect only with respect to contributors who consistently have had pensionable earnings close to the contributory earnings upper limit. In the development of death benefits, the limitation on the amount of benefit payable in respect of individual contributors was disregarded so that the benefits are slightly overstated from this aspect. The development is described in section 3 below.

Pensions payable to dependent disabled widowers will be relatively few and their financial significance will be small. For the current estimates, no direct provision was made for benefits payable to dependent disabled widowers. However, in the determination of widows' benefits, reductions or suspensions of widows' pensions by reason of widowhood at ages less than 45 were not taken into account. Thus, it was considered that there was a sufficient margin in the estimates for widows' benefits to cover benefits payable to dependent disabled widowers. The development of widows' benefits is described in section 4 below.

The total initial annual amount of benefit payable to the orphans of one contributor cannot exceed 25% of the average of the contributory earnings upper limits for the three years ending with the year of the contributor's death. It may therefore be considered that there is an effective limitation on the number of children of one contributor to whom orphans' benefits may be payable. In the method used for the development of orphans' benefits, this limitation was disregarded. Also, it was implicitly assumed in the calculation method that all males in the population with children under age 18 would have contributions in a sufficient number of years for entitlement to orphans' benefits. Again, no account was taken of the fact that pensions are not payable to married orphans. The overstatement of benefits arising from the aforementioned aspects is at least partially offset by the effect of the calculation assumption that all orphans' benefits will cease at age 18 and by the fact that no allowance was made for the payment of benefits to the orphans of deceased female contributors. The development of orphans' benefits is described in section 5 below.