

Understanding the Special Death Benefit



Every year on 1st July, an amount of Special Death Benefit (SDB) premium declared by the Fiji National Provident Fund Board is deducted from all active FNPF member accounts that meet the eligibility criteria.

This is the annual premium for the special death benefit (SDB) cover – which is a benefit paid to the nominated dependents of the member if he or she passes away before they fully withdraw their savings within the financial year in which the premium was deducted.

In the Fund's case, the SDB premium for financial year 2022 (1/7/2021 - 30/6/22) is \$35. The premium expires at the end of the financial year, after which point, the annual premium for the next financial year would need to be deducted from the member's General Account to ensure the member is covered for the new financial year.

The maximum SDB amount payable at death for the member is \$8,500 for financial year 2022. A portion of it is allocated for funeral assistance (maximum \$2,000) – however, this will only be paid if the member has filed a valid Memorandum of Administration (MOA) and has paid the yearly premium (or partly) for the financial year in which he or she passes away.

The MOA simply allows a member to access the SDB funeral assistance by nominating a person to be his or her Executor.

The SDB benefit is still payable even if members do not have a valid MOA filed with FNPF; however, the \$2,000 SDB Funeral Assistance would not be accessible but would be included with the deceased member's entitlements and paid out in accordance with their nomination schedule.

All funds that are deducted from members' accounts for the purpose of SDB premium is managed in a specific sub-fund of FNPF – the SDB Fund, which is also invested and managed by FNPF. It is from this sub-fund that the Special Death benefit are paid when the death of an eligible member is reported to FNPF.

This article provides insight on the SDB – its purpose and administration.

What is the purpose of the special death benefit?

Special death benefit provides a certain level of financial support to the dependents of FNPF members in the event of their early death; leaving their dependents financially vulnerable at the untimely loss of income.

With the SDB Funeral Assistance benefit, a portion of the death benefit is paid as soon as the advice of death is validated and the

application from the Executor is received, to assist with the deceased member's funeral expenses.

What is the SDB Fund?

This is one of the sub-funds managed by FNPF. When SDB premiums are deducted from FNPF members' accounts, the deducted premiums are transferred to the SDB fund. In other words, all the premium funds deducted are managed under this sub-fund.

When an advice of death of an eligible member is reported, FNPF will credit their account balances with the applicable death benefit and paid out in accordance with the deceased member's MOA (if filed) and then as per their nominations.

What is the total amount for the SDB benefit?

As prescribed under the FNPF Act 2011, for each financial year, the FNPF Board is required to determine the amount of SDB benefit and the amounts or rates of SDB premium based on the advice of the Fund Actuary.

For financial year 2022, the maximum SDB benefit amount is \$8,500 for a \$35 premium. In the event of a death occurred during FY2021, \$2,000 will be allocated as SDB funeral assistance (to your nominated Executor if you have filed an MOA). The balance (\$6,500) will be added to your FNPF member account balance before it is paid out to your nominee(s).

What happens if a member has less than \$35 in his or her general account for the payment of the SDB premium?

FNPF deducts the required SDB premium from the General Accounts of all eligible members at the start of a financial year.

If the member's General Account balance is less than \$35, the remaining balance in the general account will be deducted. The shortfall of the SDB premium will be deducted from the General Account once new funds (e.g. contribution) are credited into it.

For a new member, \$35 will be deducted once the first contribution is credited to the member's General Account. If the first contribution amount is less than \$35, further deduction will be made from the member's General Account once new funds are credited into it until \$35 has been fully paid.

In the event where member's death occurs within that financial year, the SDB benefit payable is calculated as:

SDB benefit payable = (SDB premium paid for the FY/\$35) x \$8,500

For e.g. Salote has been accessing the COVID-19 unemployment relief and had \$25 remaining in her general account balance in June 2020. The Fund deducted this amount from her General Account for the SDB premium for the 2021 financial year. Salote passed away in February 2021, the SDB benefit paid to her FNPF account was \$6,071 (\$25/\$35 x \$8,500). Since she had a valid MOA, \$2,000 was paid to her executor for the SDB funeral assistance and the balance of \$4,071 was credited to Salote's FNPF savings before it was distributed to her nominees.

Do all members qualify for the SDB?

Members will only qualify for the SDB benefit if they meet the following requirements:

- the member is at least 15 and is a compulsory member of FNPF;
- the member is at least 16 and is a voluntary member of FNPF;
- the member has not, at any time prior to his/her date of death, withdrawn the whole amounts in their preserved and general entitlements unless that withdrawal was due to marriage under previous FNPF legislative provisions.
- Paid the annual SDB premium (full or partly) for the financial year in which their death occurred;

Do all members qualify for the SDB funeral assistance?

Members only qualify if they meet the conditions above and have also filed a valid MOA – nominating an executor to receive the amount payable for the funeral assistance.

What is the Memorandum of Administration (MOA) form and why must I complete it?

This form allows your executor to access the SDB funeral assistance, if you pass away before fully withdrawing your funds. It enables you to nominate an executor, who will administer the \$2,000 that is allocated for your funeral expenses. If you do not have a MOA filed, the funeral benefit allocation from the SDB scheme will not be available but the Special Death benefit will be credited in full to your account balance and paid in accordance with your nomination.

Will members still qualify for SDB if they do not have a MOA filed?

Yes, the total SDB benefit (maximum \$8,500) will be credited to the deceased member's account, however, the SDB Funeral Assistance will not be available. In other words, instead of the MOA Executor being paid the SDB Funeral Assistance (max of \$2,000), the entire Special Death benefit will be credited to the deceased member's account.

If funeral assistance is still needed in the case where the deceased member did not have

a MOA filed, individuals next of kin to the deceased member would then need to apply for funeral assistance from their own FNPF accounts if they require this assistance.

What is the Executor and who can be nominated to be an Executor?

This person is nominated by a member to receive his or her SDB funeral assistance benefit (maximum \$2,000) upon the member's death. The executor does not necessarily have to be a member's relative – it can be someone that the member trusts to access the SDB funeral assistance and ensure it is used for the purpose for which it was provided, i.e. to assist with the member's funeral expenses.

What happens if a member does not have any balance left in his or general account throughout the financial year?

This means that the member will not qualify for the SDB benefit for the financial year because their General Account had insufficient funds to finance the SDB premium for that financial year.

Can the SDB premium be deducted from the preserved account if the member's general account balance is insufficient?

No – the SDB premium, like most early withdrawals is only deductible from the General Account by law.

Who can apply for the SDB Funeral assistance?

Only the person nominated by the (deceased) member under the Memorandum of Administration (MOA) can apply for the SDB funeral assistance. This person is the executor and he or she will need to fill in the SDB Claim form which is available on the FNPF website. The requirements are listed in the form and the executor has to ensure that he or she provides all the documents in order for the funds to be paid to him or her.

Can a deceased member's immediate family also access the funeral assistance if the SDB is paid out?

No – if the member qualifies for the SDB funeral assistance, then his or her relatives will not be able to access the funeral assistance from their FNPF accounts.

What is the difference between the SDB funeral assistance and the FNPF's funeral assistance withdrawal?

When the member passes away, the Fund will first check if a Memorandum of Administration (MOA) form is filed. If the member has a valid MOA then \$2,000 will be paid from the deceased member's account to their MOA nominee or executor. If the member does not have a valid MOA filed, then only will family members be able to apply for the FNPF funeral assistance withdrawal.

Will the SDB cover deducted from members general account, be paid back to members if they are still alive by the entitlement age at 55 years?

No – it is a premium that expires at the end of every financial year, so the \$35 is the amount deducted from the member's account qualifies the member for the SDB benefit cover for a financial year. The cover expires on 30 June, and the cover for the following financial year needs to be renewed.

What is the difference between Memorandum of Administration and Memorandum of Nomination?

The Memorandum of Administration gives authority to the Fund to distribute the SDB Funeral Assistance portion to the member's nominated Executor, to be used for financing the deceased member's funeral expenses. The Memorandum of Nomination instructs the FNPF on the payment of a member's FNPF savings (which would include the balance of the Special Death benefit, if any) to his/her nominees upon his/her death.