Section 1: Why Pension Nominations Matter

1.1 Pensions Are Not Part of Your Will

This is the single most important thing to understand: in almost all cases, your pension benefits will NOT pass under your will. Pension schemes hold the death benefits in trust, and the scheme trustees decide who receives the money. Your will has no legal effect on pension benefits.

However, most pension schemes allow you to complete an 'expression of wishes' (sometimes called a 'nomination form' or 'death benefit nomination'). While this is not legally binding on the trustees, they will normally follow your wishes unless there is a good reason not to (for example, if your nominated beneficiary has predeceased you).

1.2 Why This Matters for Tax

Because pension benefits are held in trust and not paid under your will, they do not normally form part of your estate for Inheritance Tax (IHT) purposes. This is a significant advantage. If you die before age 75, the benefits can often be paid tax-free. If you die after age 75, the benefits are taxable at the recipient's marginal income tax rate.

However, if you do not complete a nomination form, the trustees may pay the benefit into your estate, which would then be subject to IHT at 40% on amounts above the nil-rate band.

1.3 Keeping Nominations Up to Date

Your pension nomination should be reviewed:

- After any change in your personal circumstances (marriage, divorce, new partner, children)
- After any change in your pension arrangements (new employer, new scheme, pension transfer)
- At least every two to three years, even if nothing has changed
- Whenever you review or update your will

Section 2: Types of Pension

2.1 Defined Benefit (Final Salary) Pensions

A defined benefit (DB) pension promises a specific income in retirement, usually based on your salary and length of service. On death, a DB pension typically provides:

- A lump sum death-in-service benefit (usually 2–4 times your salary if you die while employed)
- A spouse's or dependant's pension (usually 50% of your pension)
- A lump sum if you die shortly after retiring (a 'guarantee period' payment)

Important: Many DB schemes define 'dependant' to include an unmarried partner, but some do not. Check your scheme rules carefully.

2.2 Defined Contribution (Money Purchase) Pensions

A defined contribution (DC) pension builds up a pot of money that you can draw on in retirement. On death, the entire remaining pot can be paid to your nominated beneficiary. The tax treatment depends on your age at death:

Age at Death	Tax Treatment of Lump Sum	Tax Treatment of Drawdown
Under 75	Tax-free (if paid within 2 years)	Tax-free income
75 or over	Taxed at recipient's marginal rate	Taxed at recipient's marginal rate

2.3 Self-Invested Personal Pensions (SIPPs)

A SIPP is a type of defined contribution pension that gives you more control over investment choices. The death benefit rules are the same as for other DC pensions. SIPPs are particularly popular with people who want to use their pension for IHT planning, as the entire fund can be passed on tax-free (if death occurs before 75).

2.4 State Pension

The state pension cannot be nominated to a beneficiary. When you die:

- Your surviving spouse or civil partner may be able to inherit some of your state pension entitlement (depending on your respective National Insurance records)
- An unmarried partner cannot inherit any state pension entitlement
- If you die while receiving the state pension, a final payment may be made covering the period up to your death
- Your surviving spouse or civil partner may be eligible for Bereavement Support Payment (a lump sum of £3,500 plus up to 18 monthly payments of £350)

Section 3: Completing a Pension Nomination

3.1 Expression of Wishes vs Binding Nomination

There are two types of pension nomination:

Expression of Wishes

This is the most common type. You tell the trustees who you would like to receive the death benefit, but the trustees are not legally bound to follow your wishes. They have discretion, and they will consider your nomination alongside other factors (such as your dependants' needs). In practice, trustees almost always follow the member's expression of wishes.

Binding Nomination

Some schemes (particularly newer DC schemes) allow you to make a binding nomination. This legally requires the trustees to pay the benefit to the person you have named. Binding nominations typically expire after two years and must be renewed. If your binding nomination has expired, the trustees revert to their discretionary power.

Check your pension scheme documentation to see which type of nomination is available to you.

3.2 How to Complete a Nomination

Follow these steps:

- Contact your pension provider and request a nomination form (many are available online)
- Complete the form with the full name, address, date of birth, and relationship of each nominee
- If nominating more than one person, specify the percentage share for each
- If your scheme allows binding nominations, note the expiry date and set a reminder to renew
- Return the completed form to your pension provider and keep a copy for your records
- Inform your executors that you have made a pension nomination

3.3 Death-in-Service Benefits

Many employers provide a death-in-service benefit as part of your employment package. This is typically a lump sum of 2–4 times your annual salary, paid via a group life insurance policy. The benefit is usually paid at the trustees' discretion, guided by your nomination form.

You should complete a separate nomination form for your death-in-service benefit, it is not the same as your pension nomination. Contact your HR department for the appropriate form.