asfa
the voice of super

Death Benefit Payments

Good member service for superannuation funds

Service Standard

September 2024

ASFA has been operating since 1962 as the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions, service standards and practice guidance through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

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1 About ASFA Service Standards

ASFA Service Standards are intended to provide superannuation trustees (trustees) and funds with information and guidance about ways of doing things that work and benefit members and the superannuation industry.

2

Regulatory requirements

This Service Standard does not repeat or duplicate any relevant legislation. There may be additional standards set by regulatory instruments relevant to death benefit payments. Where they overlap or are inconsistent with this Service Standard, the legislation or regulatory instrument will prevail.

The Service Standard also does not attempt to clarify how obligations imposed by legislation or regulatory instrument work in practice. While this Service Standard recommends practices which may support these obligations it does not attempt to align or link practices to those obligations.

Appendix A maps regulatory obligations and other expectations that relate directly to death benefit payments (excluding tax implications). It is intended to be a helpful outline of some of the relevant requirements in the 'life cycle' of a death benefit.

3 Introduction

The purpose of this Service Standard is to set out better practice in relation to communication with members about death benefits and handling of death benefit payment claims.

This Service Standard has been developed by ASFA and its members to set out recommended procedures to ensure that superannuation fund members (members) receive disclosures and communications that enable and empower them to make decisions around how their death benefit is to be distributed; and, upon the death of a member, to ensure that appropriate and timely services are provided to claimants and potential beneficiaries as benefit payments are processed.

It will support trustees in reviewing and updating fund communications about death benefit nominations and payment processes to ensure they are timely, effective, clear and respectful.

It also outlines some key elements of the death benefit payment process including the types of payments, considerations for trustees in determining distributions, and factors that can increase complexity and extend timeframes. The use of this material supports the establishment of sound principles and industry practice whilst allowing flexibility to adapt quickly to changing circumstances and community expectations.

Death benefit payments can require complex decision-making and investigation by trustees. In managing the payment process, trustees have an obligation to communicate effectively with claimants and potential beneficiaries about what to expect as part of finalising the payment. This can include disclosing and communicating what steps the trustee will follow and how frequently they will communicate. This was highlighted in ASIC's recent review of industry practices and compliance with laws relating to member services, focusing initially on how trustees handle death benefits claims.[1]

It is important to acknowledge that at the time of a death benefit claim, claimants and beneficiaries can be experiencing vulnerability, even temporarily, given the traumatic, premature or unexpected loss of a loved one or close relative. Trustees should be responsive to the person's circumstances as they undertake the process of identifying dependants and determining the distribution of the final benefit to beneficiaries.

[1] ASIC news item: https://asic.gov.au/about-asic/news-centre/news-items/improving-superannuation-member-services-dealing-with-death-benefit-claims/

4 Commencement

The Service Standard is effective upon issue in September 2024. ASFA encourages trustees to adopt (where not already in place) the standard as soon as possible and in any event no later than 30 June 2025.

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Communicating with members

Death benefit nominations

For members who want to have certainty over how their death benefit is paid, a valid binding death benefit nomination (BDBN) or Non-Lapsing Nomination (NLN) can be important and give members empowerment over how their death benefit is distributed because trustees are bound by valid BDBNs and NLNs. These can streamline the death benefit claims process for dependants and reduce turnaround times for claims handling.[2] Most funds offer BDBN and/or NLNs.

Three-year lapsing nominations completed as prescribed under the SIS Regulations remain common but need to be updated when they lapse, or they cease to be valid BDBNs.

An area of concern arises when members believe they have a valid BDBN in place and forget to update the nomination at the three-year renewal point or on change of circumstances (for example because of divorce, which invalidates a BDBN and an NLN). In some cases, members remain unaware they need to update the nomination. Depending on the circumstances, potential beneficiaries can suffer payment delays or unintended consequences as a result of the expiry or invalidity of the nomination.

BDBN details are required to be included on a member's periodic (annual) statements.[3] There are potential opportunities for trustees to do more to communicate to members the status of nominations, reminders on the upcoming expiry of a binding nomination, the benefits of binding nominations and information on life events which may be important triggers to review the validity of a nomination.

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Trustees to include nomination details on periodic statements (or an alternative communication method issued at the same frequency) for **all** death benefit nominations, including non-binding, lapsing binding and non-lapsing binding nominations.

This is to be complemented by easily accessible communication to the member, including information or educational material provided through an app or website, that remind, encourage, and support members to make, update, and check the validity of death benefit nominations.[4]

This should include communication to members at key points in time, such as when they are making an application to join a fund and when existing nominations are expiring.

[2] As above
[3] Corporations Regulation 7.9.78
[4] Some defined benefit funds will have plan rules that govern who can receive a benefit (for example, spouse only) however there is no specific rule that would prevent trustees of defined benefit funds reminding members to update their beneficiary nomination on divorce or death or remarriage.

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The death benefit payment process

Types of death benefit payments

For the majority of superannuation death benefits the trustee has a discretion to determine how to distribute the benefit between the eligible beneficiaries, generally dependants of the member and the estate, and in what proportions. In addition, the fund's governing rules may permit the trustee to be bound by a death benefit nomination made by the member.

Broadly, there are three types of benefit payment scenarios a trustee will encounter:

1. Where there is a Binding or Non-Lapsing Binding Nomination in place – if valid, the trustee must pay the death benefit in accordance with the nomination[5]
2. Where a non-binding nomination is in place – trustee has full discretion subject to the trust deed but can be guided by the nomination
3. Where there is no Binding Death Benefit Nomination or non-binding nomination in place and the trustee has discretion subject to the trust deed

Trustee decision-making process

Where the trustee has a discretion as to the distribution of the death benefit, it will have regard to various factors to determine how to pay the benefit. These include:

- whether the member had nominated one or more preferred beneficiaries (in a non-binding nomination),
- whether the potential beneficiaries meet the definition of dependant in the SIS legislation at the time of death and are therefore eligible to receive all or part of the benefit. The SIS legislation provides that, in addition to dependants, a potential beneficiary includes the member's legal personal representative (LPR),
- where there is more than one potential beneficiary who meet the definition of dependant, and the death benefit is to be distributed between them, the extent to which the potential beneficiaries were financially dependent on the deceased member.

Once the trustee has made an initial decision as to who to pay, it will write to all the known potential beneficiaries to advise them of its intended decision as to the payment of the death benefit. Potential beneficiaries have 28 days from the date of receipt of the trustee's letter to object to the proposed distribution and request in writing that the trustee review the decision. If there are competing beneficiaries disputing the decision the trustee may request more information to assist with its review. The trustee will then communicate the results of their review to all potential beneficiaries.

[5] Valid reversionary beneficiary nominations for income stream accounts are also binding on the trustee

Potential beneficiaries who remain dissatisfied with the trustee's final decision then have 28 days from the date they receive a final notice about the trustee's decision to lodge a complaint with the Australian Financial Complaints Authority (AFCA) about the decision[6].

If the member has made a binding death benefit nomination the trustee will need to determine whether the nomination is valid at the time of death of the member. If the nomination is valid, the trustee is obliged to pay the benefit to the nominated beneficiary. If the nomination is not valid, the trustee will need to exercise its discretion in relation to the payment of the benefit.[7]

Factors that can extend the process

Given the stages described above the time taken to finalise payment of a death benefit can be extended, depending on the complexity of the scenario.

A proportion of death benefit payment scenarios can be considered 'straightforward'[8]. These payments are generally finalised relatively quickly as there is a high degree of certainty relating to the payment of the benefit given the circumstances, and engagement with potential beneficiaries to finalise payment is likely to be uncomplicated.

AFCA has observed that 3 months is a reasonable period of time for finalising a straightforward benefit payment.

Most benefit payments are made within this timeframe with 91 per cent of death benefit claims paid within two months of being lodged, and 98 per cent within six months.[9]

As described above, where a trustee must exercise its discretion in deciding how to pay a death benefit, the process can become more complex if there are issues in relation to the dependency status of potential beneficiaries or of there are competing claims on the death benefit resulting in an increased chance that the timeframe to finalise the payment is extended. Whilst not exhaustive, a death benefit payment may be more complex in the following situations, including where:

- There are multiple beneficiaries who wish to claim the death benefit
- There is conflicting information provided to the trustee about who meets the definition of 'dependant' (e.g. one of the potential beneficiaries disputes that another potential beneficiary is a dependant)
- There are issues in confirming the validity of a binding death benefit nomination
- There are no contact details or valid identification for potential beneficiaries
- The trustee is required to obtain additional information requested from beneficiaries because of competing claims
- The trustee does not receive a response within the appropriate timeframe from one or more of the potential beneficiaries

[6] Section 1056; Corporations Act

[7] A typical issue in relation to validity of binding death nominations is whether the nominated beneficiary met the definition of dependant at the time of death of the member.

[8] See Appendix A

[9] APRA Statistics, Life Insurance Claims and Disputes Data, June 2023 – Death Claims Duration, Group Super

- There are delays as the trustee seeks to obtain additional information from third parties in relation to the distribution of the benefit
- An employer notifies of the death and the trustee seeks to obtain additional information from them or elsewhere (there may be privacy constraints on the employer)
- The benefit payment decision involves multiple submissions from potential beneficiaries with competing information about the status of relationships or levels of financial dependence
- There are blended families, children and ex-spouses involved in the claim process
- A minor trust has been established for minor dependants
- Probate or letters of administration are to be sought prior to making payment to a deceased member's legal personal representative
- The death benefit includes assets that are illiquid, suspended, or in managed investments where redemptions are processed infrequently; there may be unavoidable delays converting these assets to cash.

7 Communicating with potential beneficiaries

Provision of documentation requirements to potential beneficiaries

Once a trustee is advised of a member's death a claim is afoot and the trustee can take immediate steps to promote the timeliness of benefit payments. For example, trustees can ensure that they promptly advise of the documentation requirements and provide support and assistance with meeting these where it is sought, together with regular reminders to provide the documents and updates of the status of the claim.

The trustee cannot progress assessment of a death claim until it receives the key claim documents from relatives, partners or other parties with an interest in the death benefit. These include a certified death certificate, proof of identity, birth certificate, marriage certificate, documents evidencing financial dependency and completed application form(s).

Provision of these documents can take some time if documents need to be obtained and then certified – particularly when family members are dealing with grief due to the loss of a loved one and may need extra time to pull together the required information.

While the trustee cannot control how long it takes potential beneficiaries to provide this information, the provision of prompt initial notification and ongoing support in relation to documentation requirements can help truncate benefit payment timeframes.

> **SERVICE STANDARD**
>
> Upon being initially advised of a death, trustees to commence the claim process and promptly advise potential beneficiaries of relevant documentation requirements and provide appropriate support to obtain these.

Death benefit payments

For all death benefit payments trustees should communicate the process and steps involved in a death benefit distribution to claimants and potential beneficiaries, including what type and method of communication, and frequency of communication they can expect to receive. Where a distribution process extends through complex claim-staking and/or competing beneficiary claims, trustees may need to communicate further to keep potential beneficiaries updated on next steps and expected timeframes.

SERVICE STANDARD

Trustees to:

- Communicate with interested parties the status of a death benefit payment claim, on a regular basis, by email, phone or other agreed method; and
- Unless this would represent a duplication of communication, ensure that once the death benefit payment process reaches 90 days, they will have communicated to relevant claimants and potential beneficiaries to notify them of the progress of the death benefit claim, and what is likely to be involved in the process to finalisation; and
- Provide a dedicated contact point for death benefit payments and respond or follow up contact from claimants and potential beneficiaries within a reasonable timeframe.

For the purposes of this standard the period of time referred to in the second bullet point above should be interpreted as 90 days from the time the trustee is initially notified of the death of the member. This reflects that the consumer experience of the death benefit payment process begins with the notification of the death of a member to the trustee and it is therefore reasonable for consumers to view this as the starting point.

Privacy considerations

In some circumstances trustees may be constrained or limited in the amount of information they can provide to persons who may not be interested parties by way of progress or status update without compromising aspects of the benefit finalisation process. It is expected trustees will use their own judgement in providing as much information as practically possible, acknowledging privacy concerns and other factors.

SERVICE STANDARD

Trustees to communicate with all individuals involved in the claims process appropriate to the relevant circumstances of the claim, providing them with the most fulsome update possible.

Where a potential beneficiary has indicated their preference not to be contacted in relation to the claim, the trustee should respect this request.

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Claimants and beneficiaries experiencing vulnerability

People making death benefit claims are often under emotional and/or financial stress, and the way trustees approach their interactions with these potential beneficiaries is important. Like most financial services organisations, superannuation funds have frameworks to manage their interactions with vulnerable consumers. Trustees should consider whether potential beneficiaries of a death benefit should be treated as experiencing vulnerability because of the impact of the death that has given rise to the claim, even if that person would not ordinarily fit within a vulnerable persons policy, and how to apply an appropriate duty of care to these potential beneficiaries. This may include making the process of notifying of a death and making a claim as simple as possible.

> **SERVICE STANDARD**
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> Trustees use best endeavors to extend appropriate empathy and support when engaging with potential beneficiaries of a death benefit who may be experiencing vulnerability, including adopting the potential beneficiaries' preferred communication methods where possible.

First Nations members and potential beneficiaries

Extensions of time in the process of payment of death benefits with respect to First Nations members are often experienced. This is especially the case where late members (and potential beneficiaries) reside in remote or regional communities. There are a range of factors contributing to death benefit processing barriers in these circumstances, including navigating personal identification requirements, language barriers and financial literacy, digital exclusion, and challenges with digital accessibility, document lodgement and postal address limitations/access. Given the increased difficulty in substantiating information in the current legislatively required format and dealing with communication barriers, delays can also result (or the process abandoned) where a fund requests further information.

> **SERVICE STANDARD**
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> Trustees to make information available that supports First Nations members and beneficiaries to access translators and/or financial counsellors. This should include making available information to access links to services such as MoneySmart's 'Find a financial counsellor near you' and the National Debt Helpline.

Trustees to apply alternative methods of identification using AUSTRAC AML/CTF guidance to identify members and potential beneficiaries who do not have conventional identification.

Trustees to present and provide information in a manner that alleviates language and financial literacy barriers.

Trustees to adopt the member's or beneficiaries' preferred communication methods where possible.

9

Definitions

Interested parties means people who could potentially be beneficiaries.

Potential beneficiaries means people who meet the definition of dependant and the LPR.

Dependant in relation to a person, includes the spouse of the person, any child of the person and any person with whom the person has an interdependency relationship.[10] Or the trust deed may have its own definition.

Binding Death Benefit Nomination requires the trustee to provide any benefits in respect of the member, on or after the death of the member, to the legal personal representative or a dependant of the member.[11]

Non lapsing nomination is a BDBN that does not lapse after three years. The SIS regulation requirements for BDBNs do not apply to non lapsing BDBNs but the relevant Trust Deed may prescribe certain requirements.

[10] SIS Act section 10
[11] SIS Regulation 6.17A

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Appendix A: Death benefit distributions – regulatory obligations and expectations

Obligation	Mandatory or expectation?	Source	Comments
Death benefit payment arrangements A prudent RSE licensee would carefully consider which death benefit arrangements are suitable to offer through the RSE and seek legal advice to support its decision.	Expectation	SPG 280 *Payment Standards*, para 49	Death benefits may be paid under 5 different types of death benefit arrangements: automatic reversionary benefit; non binding nomination; binding nomination; non-lapsing nomination or complete RSE licensee discretion. Each has its own requirements and consequences.
Binding death benefit nominations (BDBNs) as an alternative to exercise of discretion by the trustee			
Types of BDBNs The governing rules of a superannuation entity (other than a SMSF) may only permit a discretion under those rules that is exercisable by a person other than a trustee to be exercised in specifically permitted cases. These specifically permitted cases allow for 2 types of BDBNs to be made in favour of the legal personal representative (LPR) or a dependant or dependants of the member: • A non-lapsing BDBN, if permitted by the governing rules and made with the active consent of the trustee • A (lapsing) BDBN made in accordance with conditions set out in the SIS Regulations.	Non-mandatory	SIS Act s59(1)(a), (1A) SIS Regs 6.17A(2)	A non-lapsing BDBN will not expire unless the member amends or cancels it. A lapsing binding death benefit nomination will remain in effect for three years from the date it was first signed, last confirmed or amended – see below. Extensive regulatory obligations apply in relation to lapsing binding death benefit nominations.

Obligation	Mandatory or expectation?	Source	Comments
Lapsing BDBNs			
If a fund's governing rules allow the member to make a lapsing BDBN, the trustee must give to the member information that the trustee reasonably believes the member reasonably needs for the purpose of understanding the right of that member to make a nomination.	Mandatory	SIS Regs 6.17A(3)	
If a member makes a lapsing BDBN as permitted by the fund's governing rules, the trustee must* pay a benefit in respect of the member, on or after the death of the member, to the person or persons mentioned in the nomination if: a) the person(s) mentioned in the notice are the LPR or a dependant of the member b) the proportion of the benefit that will be paid to each of those persons is certain or readily ascertainable from the notice c) the form and witnessing conditions** for the notice have been complied with; and d) the notice is in effect. A duty to seek information may apply if the details in (a)-(d) are not sufficiently clear – see below. * The requirement may not apply (or additional regulation may apply) if: • the trustee is subject to a court order restraining or prohibiting them from paying a benefit in respect of the member in accordance with a nomination, or is aware the member is subject to a court order requiring them to amend or revoke a	Mandatory	SIS Regs 6.17A, 7A.17-18	

Obligation	Mandatory or expectation?	Source	Comments
nomination given to the trustee or restraining or prohibiting them from giving effect to a nomination; or • the benefit is subject to a payment split. ** The form and witnessing conditions are that the notice: • must be in writing; and • must be signed, and dated, by the member in the presence of 2 witnesses, being persons each of whom has turned 18 and neither of whom is a person mentioned in the notice; and • must contain a declaration signed, and dated, by the witnesses stating that the notice was signed by the member in their presence.			
Duty to seek information about a purported lapsing BDBN If an item of information given by a member in a lapsing BDBN is not sufficiently clear to allow the trustee to pay the benefit, the trustee must seek from the member a written statement to clarify the item **as soon as practicable after the trustee receives the notice.**	Mandatory	SIS Regs 6.17B	Example: If the proportion of the benefit that will be paid to the person, or to each person, mentioned in the notice is not certain, or is not readily ascertainable from the notice given by the member, the trustee must seek a statement of that proportion from the member.
Confirmation, amendment or revocation of a lapsing BDBN A member who gives a lapsing BDBN **may**: • confirm the nomination by giving to the trustee a written notice, signed, and dated, by the member, to that effect; or • amend, or revoke, the nomination by giving to the trustee notice, that complies with the form and witnessing conditions noted above, of the amendment or recovation.	Non-mandatory	SIS Regs 6.17A(5)	

Obligation	Mandatory or expectation?	Source	Comments
Expiry of a lapsing BDBN Unless sooner revoked by the member, a lapsing BDBN ceases to have effect at the end of the period of **3 years** after the day it was first signed, or last confirmed or amended, by the member, or **at the end of any shorter period fixed in the governing rules**	Mandatory	SIS Regs 6.17A(7)	When a lapsing BDBN lapses, it becomes non-binding.
Periodic statement disclosure re lapsing BDBN If a member has in force a lapsing BDBN, the trustee must include, in the member's periodic statements: • the person, persons or class, or classes, of persons mentioned in the notice • the fact that, in accordance with the nomination, the trustee will pay a benefit in respect of the member, on or after their death, to the person(s) or class(es) of persons mentioned in the nomination if: ◦ the person, or each person, mentioned in the nomination is the LPR or a dependant of the member; and ◦ the proportion of the benefit that will be paid to each of those persons is certain or readily ascertainable from the nomination or from a statement obtained from the member in response to the trustee's duty to seek information about the nomination; and ◦ the notice is in effect	Mandatory	Corporations Regs, 7.9.78	

Obligation	Mandatory or expectation?	Source	Comments
• the statement of the member about: ∘ the proportion of the benefit that will be paid to each person mentioned in the nomination; or ∘ how that proportion is to be determined • the fact that the member may confirm, amend or revoke the nomination • the date when the nomination ceases to have effect • information that the member may use to confirm, amend or revoke the nomination.			
Policies, systems and procedures for payment of death benefits			
It is important that an RSE licensee has appropriate policies, systems and procedures to adequately manage all aspects of the data collection, verification and decision-making procedures involved in the death benefit payment process.	Expectation	SPG 280 *Payment Standards*, para 50	
A prudent RSE licensee's policies and procedures dealing with the payment of death benefits would not only ensure compliance with SIS requirements, an RSE's governing rules and any binding nominations, but would also take into account practical concerns, the sensitive nature of such payments and processes to ensure that decisions are fair and reasonable.	Expectation	SPG 280 *Payment Standards*, para 51	
It is prudent practice for an RSE licensee to ensure that the systems involved in processing the payment of death benefits include a check to ensure the recipients meet the criteria to be a recipient of a death benefit.	Expectation	SPG 280 *Payment Standards*, para 52	The allowable recipients of a death benefit are stipulated in reg 6.22 of the SIS Regulations.

Obligation	Mandatory or expectation?	Source	Comments
Where an RSE licensee has adopted binding nominations, this would ordinarily include establishing a process to identify which members have made a nomination, and a procedure to notify relevant members at the appropriate time that their nomination is about to lapse, explaining the consequences of its lapsing and what steps members can take to renew or alter their nomination. A prudent RSE licensee would ensure it considers any legal requirements which determine when death benefit nominations may lapse and would also ensure its policy covers situations where nominations may no longer be applicable due to changed circumstances.	Expectation	SPG 280 *Payment Standards*, para 53	
As part of an RSE licensee's obligations to act in the best interests of members and other beneficiaries, death benefit payment procedures and systems should specifically cover the RSE licensee's policy regarding the payment of augmented or anti-detriment lump-sum death benefits to dependants.	Expectation	SPG 280 *Payment Standards*, para 55	An anti-detriment payment can still be made as a component of a death benefit however a tax deduction can no longer be claimed by an RSE licensee for that anti-detriment payment.
Where there is an external administrator involved, trustees should enforce timeframes set out in the administration contract, and keep a close eye on the steps the administrator is taking to make sure it is only asking for necessary information and is processing documents and submissions promptly	Expectation	Reported comments by Heather Gray, Lead Ombudsman, Superannuation, AFCA[i]	

[i] https://www.professionalplanner.com.au/2023/10/afca-tells-funds-to-review-death-benefit-payout-processes, 26 October 2023

Obligation	Mandatory or expectation?	Source	Comments
Compulsory cashing of death benefits			
A member's benefits in a regulated superannuation fund must be cashed –or rolled over for immediate cashing – **as soon as practicable** after the member dies	Mandatory	SIS Regulations, reg 6.21(1), (3)	Conditions apply to the form in which a death benefit can be cashed – see below
For a 'straightforward case', **three months** is a reasonable period of time for finalising a death benefit distribution.	Expectation	Reported comments by Heather Gray, Chief Ombudsman, Superannuation, AFCA[ii]	AFCA has advised it considers a 'straightforward' death benefit claim to include: • BDBN in favour of someone who is clearly a dependant (eg legal spouse, biological child), BDBN meets SIS and any trust deed requirements, no-one has raised issues that would go to the validity of the BDBN • No BDBN, member dies leaving a legal spouse, no children or only minor children of the marriage, no claim by any other person and no evidence there is any other dependant • No BDBN, member dies leaving a legal spouse, adult children who all provide written confirmation they do not wish to make a claim, no claim by any other person and no evidence there is any other dependant • Member dies leaving no dependants but there is a LPR, no claim by anyone other than the LPR

[ii] https://www.professionalplanner.com.au/2023/10/afca-tells-funds-to-review-death-benefit-payout-processes, 26 October 2023

Obligation	Mandatory or expectation?	Source	Comments
An RSE licensee should have processes to arrange for the **timely cessation** of any pension payments that were being paid to the deceased member and, if relevant, commence payment of any reversionary pensions or lump-sum payments to any persons nominated in binding death benefit nominations.	Expectation	SPG 280 *Payment Standards*, para 54	'Timely cessation' is not defined.
Allowable recipients of a death benefit			
Subject to limited exceptions*, after a member's death their benefits in a regulated fund can **only** be cashed in favour of one or all of the following: • the member's LPR; • one or more of the member's dependants. • another individual if the trustee has not, after making reasonable enquiries, found either a LPR, or a dependant, of the member The Commissioner of Taxation under a release authority or under the *Superannuation (Unclaimed Money and Lost Members) Act 1999*. *An exception applies if a court has made a forfeiture order forfeiting part or all of the member's benefits in the fund to the Commonwealth, as State or Territory, under a law specified in the table to subreg 6.21(6) of the SIS Regulations. Exceptions also apply if the Regulator expressly permits the cashing, in writing, or if the payment is made to a non-member spouse under a family law payment split.	Mandatory	SIS Regulations, subreg 6.22(1)-(3), (6); 6.22B; 7A.13; 7A.17; 7A.18	'Dependant' is defined in s10 SIS Act as including the spouse of the person, any child of the person and any person with whom the person has an interdependency relationship. Note, for tax purposes, the relevant concept is 'death benefits dependant' which is defined by s302-195 ITAA 1997 as the deceased person's spouse or former spouse, the deceased person's child under 18, any other person with whom the deceased person had an interdependency relationship just before they died, or any other person who was a dependant of the deceased person just before they died.

Obligation	Mandatory or expectation?	Source	Comments
Form in which death benefits are to be cashed			
Death benefits may only be cashed as: • a single lump sum or an interim lump sum and a final lump sum; • 1 or more pensions*, each of which is a superannuation income stream that is in the retirement phase; • the purchase of 1 or more annuities*, each of which is a superannuation income stream that is in the retirement phase; • a series of payments**, each of which is a specific type of military superannuation benefit under the *Defence Force Retirement and Death Benefits Act 1973* or the *Military Superannuation and Benefits Act 1991*. * Payment in the form of a pension/annuity is only allowable for certain types of recipients – see below. ** As specified in subsection 301-275(1)(b) of the *Income Tax Assessment Act 1997*.	Mandatory	SIS Regulations, reg 6.21(2)	The allowable formats apply in respect of each person to whom benefits are cashed.
Cashing of a death benefit in either of these forms: • 1 or more pensions*, each of which is a superannuation income stream that is in the retirement phase; or • the purchase of 1 or more annuities*, each of which is a superannuation income stream that is in the retirement phase; is **only** allowable if the recipient was, at the time of the member's death, a **dependant** of the member. Further, if the dependant is a **child** of the member, they must be:	Mandatory	SIS Regulations, reg 6.21(2A)	

Obligation	Mandatory or expectation?	Source	Comments

• less than 18 years of age; or
• if 18 or more years of age:
  ◦ financially dependent on the member **and** less than 25 years of age; or
  ◦ suffering from a disability of the kind described in subsection 8(1) of the *Disability Services Act 1986*.			

If benefits in relation to a deceased member are being paid to a child of the deceased member in the form of a pension or an annuity, the benefits must be cashed as a lump sum on the **earlier** of: • the day on which the annuity or pension is commuted, or the term of the annuity or pension expires (unless the benefit is rolled over to commence a new annuity or pension); and • the day on which the child attains age 25; **unless**, on that day, the child has a disability of the kind described in subsection 8(1) of the *Disability Services Act 1986*.	Mandatory	SIS Regulations, reg 6.21(2B)	
Death benefits paid as superannuation pensions Extensive, product-specific regulation applies to payment of pensions, particularly in relation to payment to a reversionary beneficiary and/or a beneficiary who is a child of the deceased primary beneficiary.	Mandatory	SIS Regs 1.06-1.07D	Compliance with the pension standards in SIS is relevant to the tax treatment of the pension as a superannuation income stream.

Obligation	Mandatory or expectation?	Source	Comments
Objections to proposed death benefit distributions are to be treated as 'complaints'			
An expression of dissatisfaction that is an objection to a proposed death benefit distribution must be treated by a financial firm as a 'complaint'.	Mandatory (enforceable paragraph)	RG 271.32	ASIC also expresses the expectation, in RG 271.61, that an objection to a proposed decision about how and to whom to pay a superannuation death benefit distribution should be treated as a complaint.
A trustee of a regulated superannuation fund other than a SMSF must ensure that written reasons are given for any decision of the trustee (or failure by the trustee to make a decision) relating to a complaint, as specified by ASIC. Trustees satisfy this requirement when they provide an IDR response in compliance with RG 271.	Mandatory – offence provision	SIS Act s101(1)(d), (1B) *ASIC Corporations, Credit and Superannuation (Internal Dispute Resolution) Instrument 2020/98*, s6 RG 271.53-54, RG 271.56-60 (and Table 2), RG 271.64-66, RG 271.69, RG 271.75, RG 271.79, RG 271.81-85	
An 'IDR response' is a written communication from a financial firm to the complainant, informing them of: (a) the final outcome of their complaint at IDR (either confirmation of actions taken by the firm to fully resolve the complaint or reasons for rejection or partial rejection of the complaint); (b) their right to take the complaint to AFCA if they are not satisfied with the IDR response; and (c) the contact details for AFCA. If the complaint relates to a superannuation death benefit distribution, the death benefit decision-maker must also give	Mandatory (enforceable paragraph)	RG 271.53	

Obligation	Mandatory or expectation?	Source	Comments
the complainant information about the **28 calendar day time limit** (under s1056 of the Corporations Act) for lodging a complaint with AFCA (see RG 271.84(a)). This time limit must be included in a death benefit decision-maker's notice.			
If a financial firm rejects or partially rejects the complaint, the IDR response must clearly set out the reasons for the decision by: (a) identifying and addressing the issues raised in the complaint; (b) setting out the financial firm's findings on material questions of fact and referring to the information that supports those findings; and (c) providing enough detail for the complainant to understand the basis of the decision and to be fully informed when deciding whether to escalate the matter to AFCA or another forum.	Mandatory (enforceable paragraph)	RG 271.54	
Unless an exception applies, an IDR response for a complaint about a superannuation death benefit distribution must be provided within a maximum IDR timeframe of **90 days after the expiry of the 28 calendar day period for objecting to a proposed death benefit distribution** referred to in s1056(2)(a) of the Corporations Act. Allowable exceptions are where: • there is no reasonable opportunity for the firm to provide the IDR response within the relevant maximum IDF timeframe because resolution of the complaint	Mandatory (enforceable paragraph)	RG 271.60 Table 2; 271.67-68	'Complexity' includes where a complaint about a superannuation death benefit distribution involves multiple submissions from potential beneficiaries with competing information about the status of relationships or levels of financial dependence. [RG 271.67] Circumstances that may be beyond a financial firm's control include when a death benefit decision-maker is waiting on information

Obligation	Mandatory or expectation?	Source	Comments
is particularly complex; and/or • circumstances beyond the firm's control are causing complaint management delays. These exceptions only apply if, **before the maximum IDR timeframe expires**, the firm gives the complainant an 'IDR delay notification' that informs the complainant about: the reasons for the delay and their right to complain to AFCA if they are dissatisfied and the contact details for AFCA.			requested from potential beneficiaries to a death benefit to substantiate their claim. [RG 271.68]
A death benefit decision-maker may, when distributing a death benefit, go through an initial information-gathering process and then propose a decision on how and to whom to pay the benefit. Notice of the proposal is sent to all potential beneficiaries, explaining that they may object to the proposal within **28 calendar days** of receiving it.	Not a mandatory (enforceable paragraph) or an expectation	Corporations Act, s1056 RG 271-80	The 'claims-taking' process is not mandatory or expressed to be an ASIC expectation but is typically adopted by funds as a due diligence process.
Any objection to a proposed death benefit distribution is a complaint and will trigger the start of the IDR process. When an objection is made, the **90 calendar day maximum IDR timeframe begins from the end of the 28 calendar day objection period.**	Mandatory (enforceable paragraph)	RG 271.81-82	

Obligation	Mandatory or expectation?	Source	Comments
After reviewing any objections, the death benefit decision-maker may either: (a) amend the previous proposed decision and give all potential beneficiaries additional notice that the decision-maker proposes to make a new decision (and further objections must be notified to the death benefit decision-maker **within 28 calendar days**); or (b) maintain the previous proposed decision and give all potential beneficiaries notice that they have made the decision (and eligible complainants can make a complaint to AFCA **within 28 calendar days**).	Mandatory (enforceable paragraph)	RG 271.83	
When the death benefit decision-maker gives notice of a new proposed decision in response to an objection (as set out in RG 271.83(a), they must: (a) provide each complainant with a response that meets the minimum IDR response requirements set out in RG 271.53–RG 271.54, except for the AFCA-related requirements at RG 271.53(b)–RG 271.53(c). This is because any objection must be made to the death benefit decision-maker, rather than to AFCA; and (b) provide any non-complaining beneficiaries with the same information as the complainant, while complying with any obligations under privacy laws.	Mandatory (enforceable paragraph)	RG 271.84	

Obligation	Mandatory or expectation?	Source	Comments
When the death benefit decision-maker gives notice that they have made the decision, they must: (a) provide each complainant with a response that meets the minimum IDR response requirements set out in RG 271.53–RG 271.54, including information about the complainant's right to refer the matter to AFCA within 28 calendar days of being given notice if they are not satisfied; and (b) provide any non-complaining beneficiaries with the same information as the complainant, while complying with any obligations under privacy laws.	Mandatory (enforceable paragraph)	RG 271.85	

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