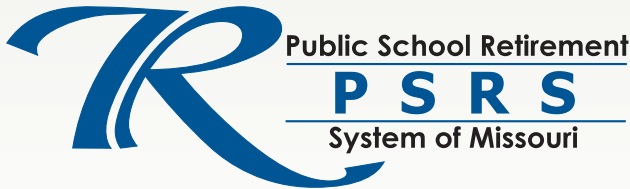




# Death Before Retirement



*Partners in Your Retirement Security*

## Death Before Retirement

In addition to the emotional stress caused by the death of a loved one, a severe blow is often dealt to the family's financial security, particularly when death occurs during the career years. To help ease this burden, the retirement program offers valuable financial protection to eligible beneficiaries of members who die before retirement or while receiving disability benefits.

Three types of death benefits are provided for beneficiaries of members who die before retirement. Your designated beneficiary may have the choice of one of the following:

1. A one-time, lump-sum refund of your account balance
2. Monthly dependent-based survivor benefits
3. Monthly retirement-based survivor benefits

Qualifications that must be met in order to receive these benefits, and explanations of the three types follow.

### Lump-Sum Refund

If your death occurs before retirement, your designated beneficiary(ies) – whether an individual(s), a trust, your estate or any other legal entity – has the right to a lump-sum refund of your account balance. This refund consists of your contributions, any payments made because of a reinstatement and other purchases, and the interest credited to your account as of the date of death. Matching contributions made by your employer are used solely to pay monthly benefits to retirees and beneficiaries of deceased members and are not refundable in a lump-sum payment.

**No other benefit is paid if a lump-sum refund is made.**

### Dependent-Based Survivor Benefits

#### Member Qualifications

Upon your death, dependent family members, if properly designated as beneficiaries, or covered under the statutory succession of beneficiaries, may be eligible for dependent-based survivor benefits, if:

- You have five or more years of credit for employment covered by PSRS, or
- You have at least two years of credit, and die while under PSRS-covered employment (or as a result of an injury or sickness incurred while teaching and within one year of the onset of the injury or sickness) or while eligible for disability retirement.

Dependent-based survivor benefits can only be paid under one membership. For example, if both you and your spouse are members of PSRS, your children can only receive dependent-based survivor benefits under one account.

## Death Before Retirement

### Beneficiary Qualifications

Dependent-based monthly survivor benefits can be paid to:

1. Your spouse, if:
  - Designated as your sole beneficiary, and
  - Age 60, or upon attainment of age 60, and
  - Married to you for at least three years, and
  - Living with you at your death, or
  - Permanently disabled for at least five years immediately preceding your death, if designated as sole beneficiary, married to you for at least three years, and living with you at your death.

Your eligible spouse will receive this benefit until his or her death, or, if disabled, until recovery from the disability prior to age 60.

2. Your spouse and unmarried dependent children, including stepchildren or adopted children, if:
  - Your spouse is designated as your sole beneficiary, and
  - Your spouse has your unmarried, dependent child(ren) in his or her care\* under the age of 18, or 24 if enrolled in school full-time.

\*A dependent unmarried child under age 18, not in the care of your surviving spouse, is entitled to a monthly payment made to the child's primary custodial parent or legal guardian.

If your spouse elects dependent-based survivor benefits, all of your eligible children are entitled to a benefit, even though you may not have included the children on your beneficiary designation.

Your spouse, if under age 60, is entitled to benefits as long as you have eligible children. Individual payments for each eligible recipient begin the month following your death and continue as long as the dependent children qualify. The spousal benefit resumes when the spouse attains age 60 and continues for his or her lifetime, as long as all criteria described in number 1 above are met.

3. Your unmarried, dependent children, if:
  - Designated as beneficiary, and
  - Under the age of 18 or 24 if unmarried and in school full-time, or
  - Currently receiving a benefit under number 2 above and your spouse dies, and
  - Disabled and unable to engage in substantial gainful activity, and whose disability occurred before age 18. Payments to a disabled child continue without regard to age, but cease upon marriage, adoption, recovery from disability, or death, whichever occurs first, or
  - Your designated beneficiary is someone other than your spouse or child, and directs each eligible child to receive a monthly payment.

If your first-named, eligible child elects to receive dependent-based survivor benefits, all other eligible children are entitled to a like benefit regardless of whether they are listed as your beneficiary.

## Death Before Retirement

4. Dependent parent, if:
- Named as sole beneficiary, and
  - Receiving at least 50% financial support from you at the time of your death.
  - Payments begin at age 65 and continue for his or her lifetime.

If both parents are dependent, both **may** be eligible for monthly benefits.

### Payment Amounts

Dependent-based survivor benefit payments are calculated as a percentage of your last full year of salary, with minimum and maximum limits as indicated in the table that follows.

| Category                      | % of Applicable Salary       | Minimum Monthly Benefit         | Maximum Monthly Benefit  |
|-------------------------------|------------------------------|---------------------------------|--|
| Spouse                        | 20%                          | \$575                           | \$860  |
| Spouse and Dependent Children | 20% spouse<br>10% each child | \$575 spouse<br>\$300 per child | \$860 spouse<br>\$430 per child up to \$2,160 total for all eligible survivors |
| Dependent Child(ren) Only     | 16-2/3% each                 | \$500 per child                 | \$720 per child up to \$2,160 total for all eligible survivors                 |
| Dependent Parent(s)           | 16-2/3% each                 | \$500 per parent                | \$720 per parent up to \$1,440   |

Payment amounts and eligibility requirements are set forth in state law. These benefits are not subject to cost-of-living adjustments.

### Sample Benefit Payments

Below is an example of a typical survivor benefit. A spouse with two dependent children is eligible to receive the following monthly benefit:

|                        |   |
|------------------------|---|
| Spouse Payment         | \$ 575 (minimum payment allowable by law) |
| Child Payment          | \$ 300 (minimum payment allowable by law) |
| Child Payment          | \$ 300 (minimum payment allowable by law) |
| Total Monthly Benefits | \$1,175                                   |

## Retirement-Based Survivor Benefits

If your death occurs after you are vested (five or more years of service with PSRS), your sole beneficiary, who has an **insurable interest** in your life, may elect a retirement-based monthly benefit under the Joint-and-Survivor 100% (Option 2) retirement plan in lieu of any other benefits. A spouse, a child, or a parent has an automatic insurable interest in your life. The Joint-and-Survivor 100% (Option 2) benefit, detailed in the *Service Retirement* section (**page 59**), is the monthly amount you would have received with no additional service had you lived to retirement

## Death Before Retirement

eligibility and elected that option. Calculation of the benefit is based on the law in effect at the time payment begins.

### Member Qualifications

Your beneficiary may choose an immediate or a deferred benefit, depending on your age and service. Refer to the *Service Retirement* section (pages 49-52) for detailed service retirement eligibility criteria.

Once eligible, retirement-based survivor benefits are payable to your beneficiary for life with cost-of-living adjustment (COLA) eligibility effective the second January after the effective date of benefits. See the *Service Retirement* section for additional information about COLAs (page 67). If the death of your beneficiary occurs prior to receiving payments equal to your account balance, the remaining balance is paid in accordance with statutory succession of beneficiaries of your beneficiary. For more information on statutory succession, see the following section.

## Beneficiary Designations

If your death occurs before retirement, any payments due are made in accordance with your last beneficiary designation on file with PSRS. It is important to keep your listing current as circumstances change – marriage, divorce, a child's birth or attainment of adulthood, death of a previously-named beneficiary, etc. – to ensure distribution of your account funds as you desire.

A **statutory succession of beneficiaries** applies if, at the time of your death:

- You do not have a valid beneficiary designation on file with PSRS,
- All designated beneficiaries have disclaimed the right to receive benefits, or
- A change in your life status (marriage, divorce, birth or adoption of a child) has occurred since your previous beneficiary designation.

Under **statutory succession of beneficiaries**, the following individuals will be your designated beneficiaries, in this order of precedence, for the purpose of making an election and receiving benefits:

1. Surviving spouse at the time of your death,
2. Surviving children eligible to receive monthly dependent-based survivor benefits at the time of your death, share and share alike,
3. Surviving children not eligible to receive monthly dependent-based survivor benefits at the time of your death, share and share alike,
4. Surviving dependent parent(s) eligible to receive monthly dependent-based survivor benefits at the time of your death, share and share alike,
5. Surviving parents not eligible to receive monthly dependent-based survivor benefits, share and share alike, and
6. Estate.

Your current beneficiary designation is shown on your *Member Statement*, which is sent to you each fall. You may also view your designation by accessing your personal account information online at [www.psr-peers.org](http://www.psr-peers.org). To change your designation, complete and submit a *Nomination of Beneficiary* form available from PSRS, on the PSRS website, or from your employer.

## Death Before Retirement

### Naming Beneficiaries

If you name joint primary or contingent beneficiaries, they will share equally in a lump-sum refund of your account funds unless you indicate otherwise. If you want the proceeds paid to your estate, list “my estate” as beneficiary. If you want payment made to a trust, write the name of the trust as beneficiary, indicate the date it was established and provide a copy of the title page of the trust. For a **testamentary trust**, you may use the phrase “trustee under my last will” as the name of the beneficiary.

**The only benefit payable to an estate, a trust or joint beneficiaries not eligible for monthly dependent-based benefit payments is a lump-sum refund of your account balance as of the date of your death.**

If your dependents qualify for monthly survivor benefits, a proper listing is critical to provide an eligible beneficiary the right to elect monthly benefits in lieu of a lump-sum refund. The following may help you make an appropriate designation:

- A married member should name a spouse as primary beneficiary to allow the spouse the maximum choices - a lump-sum refund, monthly dependent-based survivor benefits or monthly retirement-based benefits, if eligible. In addition, if there are dependent children, the youngest dependent child should generally be named as first contingent beneficiary, the next youngest dependent child as second contingent, etc. Listing children in reverse order of birth will not require a designation change as each child becomes ineligible for dependent-based survivor benefits, as long as the youngest child remains eligible.
- A single parent with dependent children should name the youngest dependent child as primary beneficiary, the next youngest dependent child as first contingent beneficiary, etc. If your child is a minor and you want a specific individual to be able to handle the benefit on the child’s behalf, write “(name of individual) as custodian for (name of child) under the Missouri Transfers to Minors Law” as the beneficiary.
- A single member with dependent parents should name one parent as primary beneficiary and the other as first contingent.
- **Generally, a member with eligible dependents should not list joint primary or joint contingent beneficiaries if eligibility for monthly benefits is desired.** If two or more children or two parents are named jointly and one is ineligible for dependent-based survivor benefits at the member’s death, the right to choose a monthly benefit for the other eligible dependent would be affected. Naming **one** eligible child or **one** eligible parent as **primary** beneficiary allows **all** eligible children or **both** eligible parents to qualify for monthly dependent-based benefits.
- Naming one individual with an insurable interest in your life as sole beneficiary provides that beneficiary eligibility for monthly retirement-based benefits if you had established eligibility for an immediate or future retirement benefit.

**The suggestions set forth above are general in nature and may not fit all situations. If you need further assistance, contact PSRS at (800) 392-6848.**

### Income Tax on Survivor Benefits

Survivor benefits, whether a lump-sum refund or monthly payments, are subject in whole or in part to federal and state income tax.

An IRS *Form 1099-R* is sent to benefit recipients after the end of each calendar year for tax purposes.

Beneficiaries are urged to seek tax advice from the IRS at **(800) 829-1040**, the Missouri Department of Revenue **(573) 751-3505** or a tax professional if assistance is needed in determining individual tax liability.