

# Survivor Benefits

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## Survivor Benefits

In addition to the emotional stress caused by the loss of a loved one, it can also put significant stress on a family's finances, particularly when it occurs during the working years. To help ease this burden, PSRS offers valuable financial protection for your family if you die before service retirement or while receiving PSRS disability benefits.

Three types of benefits are provided:

- A one-time, lump-sum refund of your contributions and interest
- Monthly dependent-based benefits
- Lifetime monthly retirement-based benefits

Specific qualifications must be met in order to receive monthly benefits. Those qualifications are detailed in this handbook.

Benefits payable to beneficiaries, should you die after service retirement, are based on the benefit plan you choose when you retire (see pages 48-53).

## Lump-Sum Refund

If you die before retirement, your designated beneficiary has the right to a lump-sum refund of your PSRS contributions and interest. No other survivor benefit is paid if a lump-sum refund is made.

### Eligibility

Your beneficiary can be:

- An individual
- Multiple individuals
- A legally established trust
- Your estate
- Any other legal entity(ies) (church, school, organization, etc.)

If you name multiple individuals, payment is divided equally unless you specify otherwise.

## Lump-Sum Refund Amount

If a lump-sum refund is paid, your beneficiary receives the total of your accumulated contributions, any payments you make to reinstate and purchase service, and the interest earned on your contributions as of the date of your death. Employer contributions are not payable as part of a lump-sum refund.

If your beneficiary is your spouse, he or she can directly roll the lump-sum payment to a qualified retirement plan to avoid incurring an immediate tax liability. If your beneficiary is someone other than your spouse, he or she can directly roll the payment to an IRA established as an inherited IRA.

## Monthly Dependent-Based Benefits

### Eligibility

In lieu of a lump-sum refund, your properly designated spouse, children or parents may be eligible for monthly dependent-based benefits at your death if you:

- Have five or more years of service for PSRS-covered employment
- Have at least two years of service for PSRS-covered employment, and die while actively employed under PSRS or die within one year of the onset, or as a result of an injury or illness that began while in PSRS-covered employment
- Die while eligible for PSRS disability retirement

## Beneficiary Requirements

Your beneficiary must also meet certain eligibility requirements to receive dependent-based benefits. These requirements are different, depending on your relationship to the beneficiary.

Monthly dependent-based benefits can be paid to:

### 1. Your spouse, if designated as your sole beneficiary, and who is:

- Age 60 (or upon reaching age 60), married to you for at least three years and living with you at your death, or
- Permanently disabled for at least five years immediately before your death, married to you for at least three years, and living with you at your death.

Benefits are payable to your spouse for his or her lifetime. If your spouse is disabled and recovers from the disability before reaching age 60, benefits stop and will start again at age 60.

### 2. Your spouse and unmarried, dependent children, including stepchildren and adopted children, if your spouse is:

- Designated as your sole beneficiary, and
- Caring for your unmarried, dependent children under the age of 18, or age 24 if enrolled in school full-time.

If your spouse chooses 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 there is an eligible child in his or her care. If your spouse meets the eligibility requirements listed in number 1 above, benefits to your spouse resume at age 60 and are payable for the remainder of his or her lifetime.

A dependent, unmarried child under age 18, who is not in the care of your surviving spouse, is entitled to a monthly benefit which is paid to the child's primary custodial parent or legal guardian.

### 3. Your unmarried, dependent children, if:

- At least one eligible child is designated as beneficiary, or
- Currently receiving benefits under number 2 above and your spouse dies.

If the designated child is mentally or physically disabled prior to age 18, unable to be gainfully employed and the disability continues after age 18, that child is eligible for a lifetime monthly benefit. The benefit stops if the child recovers from the disability, marries or is adopted.

### 4. Your dependent parent, if designated as sole beneficiary, and who is:

- Age 65, or upon reaching age 65, and
- Receiving at least 50% financial support from you at your death, and
- Able to provide documentation, within two years of your death, showing that he or she was financially dependent on you.

If both parents are your dependents, the same amount is paid to each parent for his or her lifetime.

## Important Notes About Dependent-Based Benefits

- If your spouse chooses dependent-based benefits, the amount payable is based on the number of dependent children in his or her care.
- If your designated beneficiary is your child and he or she chooses to receive dependent-based benefits, any other eligible child of yours is entitled to a like benefit, even if he or she is not listed as your beneficiary.
- If your designated beneficiary is someone other than your spouse or child, that individual can choose to direct benefits to your eligible children. For example, if your father is designated as your beneficiary, he can authorize PSRS to pay dependent-based benefits to all of your eligible children, instead of receiving benefits himself.

## Monthly Dependent-Based Benefit Amounts

Dependent-based benefits are calculated as a percentage of your last full year of salary, with minimum and maximum amounts as indicated in the table below.

Monthly benefit amounts are set by Missouri law. **These benefits are not eligible for cost-of-living adjustments (COLAs).**

Monthly Dependent-Based Benefit Amounts			
Beneficiary	Percent of Last Full Year's Salary	Minimum Monthly Benefit	Maximum Monthly Benefit
Spouse	20%	\$575	\$860
Spouse and Dependent Children	<ul style="list-style-type: none"> <li>• 20% spouse</li> <li>• 10% per child</li> </ul>	<ul style="list-style-type: none"> <li>• \$575 spouse</li> <li>• \$300 per child</li> </ul>	<ul style="list-style-type: none"> <li>• \$860 spouse</li> <li>• \$430 per child</li> <li>• Up to \$2,160 total for all eligible survivors</li> </ul>
Dependent Children	16.667% per child	\$500 per child	<ul style="list-style-type: none"> <li>• \$720 per child</li> <li>• Up to \$2,160 total for all eligible children</li> </ul>
Dependent Parents	16.667% per parent	\$500 per parent	<ul style="list-style-type: none"> <li>• \$720 per parent</li> <li>• Up to \$1,440 total for both eligible parents</li> </ul>

The following is an example of an average dependent-based benefit payment for a spouse with two dependent children:

Example	
Spouse payment	\$ 730
Child payment	\$ 365
<u>Child payment</u>	<u>\$ 365</u>
Total monthly benefits	\$ 1,460 (gross amount before taxes)

Dependent-based 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 benefits under one of these memberships.

## Lifetime Monthly Retirement-Based Benefits

If you are vested (have five or more years of eligible service with PSRS) at the time of your death and name only one individual as your beneficiary, he or she may be eligible to receive immediate or future lifetime monthly benefits.

### Eligibility

If your sole beneficiary is your spouse, child or parent, that individual automatically qualifies for lifetime monthly retirement-based benefits. Any other individual named as your sole beneficiary may qualify by providing documentation showing that he or she is financially dependent on you.

This option is not available if you name as your primary beneficiary:

- More than one individual
- Your trust
- Your estate
- A legal entity(ies)

Your beneficiary may be eligible for immediate benefits if you are eligible for retirement at the time of your death, or future benefits when you would have reached retirement eligibility. For more information on retirement eligibility requirements, see pages 45-47.

### Lifetime Monthly Retirement-Based Benefit Amounts

Lifetime monthly retirement-based benefits are the amount payable under the Joint-and-Survivor 100% benefit plan (see page 49), given the salaries and service earned as of the date of your death. Calculation of these benefits is based on the law in effect at the time benefits begin. Benefits are payable immediately or in the future, depending on your retirement eligibility.

Log in to PSRS Web Member Services at [www.psr-peers.org](http://www.psr-peers.org) to estimate Joint-and-Survivor 100% benefit amounts using the Benefit Estimator. You can also request an estimate online or contact our office for assistance.

These benefits are eligible for cost-of-living adjustments (COLAs) beginning the second January after benefits begin.

## Income Taxes 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 at (573) 751-3505 or a tax professional if assistance is needed in determining individual tax liability.**

## The Importance of Keeping Your Beneficiary Designation Up-to-Date

In order to provide your family with the best financial protection, it is important to designate your beneficiaries properly and keep them updated as life-changing events occur.

**A marriage, divorce, birth or adoption of a child automatically voids your beneficiary designation. Unless you file a new beneficiary designation, Missouri law will determine your beneficiaries when you die.**

If you are unsure of your current PSRS beneficiary designation, you can view it by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org). Your current beneficiary designation is also shown on your annual *Member Statement*, issued each fall.

You can change your designation any time by completing a *Pre-Retirement Beneficiary Designation* form available on our website or from our office.

## What Happens if Your Beneficiary Designation is Invalid?

Missouri law determines your beneficiaries, if, at the time of your death:

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

If one of these situations occurs, the following individuals are your designated beneficiaries, according to law.

### Beneficiaries Order of Precedence

1. Surviving spouse
2. Surviving children eligible to receive dependent-based benefits
3. Surviving children **not** eligible to receive dependent-based benefits
4. Surviving parents eligible to receive dependent-based benefits
5. Surviving parents **not** eligible to receive dependent-based benefits
6. Estate

## Tips for Designating Beneficiaries for Your PSRS Membership

You may name as beneficiary:

- An individual(s)
- A legal entity(ies) (church, school, organization, etc.)
- A trust
- Your estate

However, naming an entity, trust or estate eliminates your beneficiary's ability to choose monthly survivor benefits.

**Only a sole, individual beneficiary with insurable interest is eligible to receive lifetime monthly benefits, which can be more advantageous than a lump-sum refund of your contributions and interest.**

Following are tips to help you provide the greatest financial protection for your surviving family members. **These suggestions are general in nature and may not fit all family situations. If you are in doubt as to the most appropriate designation, please contact our office.**

### *Naming a Sole Beneficiary (One Individual)*

If you are vested at the time of your death and name your spouse, child or parent as your sole beneficiary, he or she can choose a lifetime monthly benefit. The same holds true for any other individual named as your sole beneficiary who can provide documentation showing that he or she is financially dependent on you.

### *Naming Joint Beneficiaries (More than One Individual to Share Benefits)*

In general, you should not name joint beneficiaries if you want to provide monthly benefits to your beneficiary. A beneficiary must be the sole beneficiary in order to choose monthly benefits. Also, in the case of dependent, unmarried children, if multiple children are named jointly and one of them is ineligible for dependent-based benefits, all children are ineligible.

Joint beneficiaries will share a lump-sum refund of your contributions and interest equally unless you specify otherwise.

### *Married Members With Dependent Children*

To ensure that your designated beneficiaries can choose monthly benefits, you should, in most cases, name your spouse as primary beneficiary, your youngest dependent child as first contingent, and your next youngest dependent child as second contingent beneficiary.

In this case, at your death, your spouse may be eligible for monthly retirement-based or dependent-based benefits.

Should both you and your spouse die while **one** of your children is eligible for monthly dependent-based benefits, **all** of your dependent children are eligible, regardless of whether you have named them as beneficiaries. By naming the youngest child first, you provide the greatest beneficiary protection for your children, for the longest possible period of time.

### *Married Members Without Dependent Children*

Naming your spouse as your sole beneficiary provides the greatest financial protection. This gives your spouse the choice of either a lump-sum refund, or, if you are vested (have five or more years of qualified service with PSRS) at the time of your death, he or she can choose immediate or future lifetime monthly benefits.

### *Single Parents With Dependent Children*

To ensure eligibility for immediate benefits payable to dependent children, you should, in most cases, name your youngest dependent child as primary beneficiary, your next youngest as first contingent, and so on. If one of your children is eligible for monthly dependent-based benefits, all of your children are eligible, regardless of whether you have named them as beneficiaries. By naming the youngest child first, you provide the greatest beneficiary protection for your children, for the longest possible period of time.

If your children are minors, please refer to the information below regarding naming minors as beneficiaries.

### *Minors and Legally Disabled Beneficiaries*

Benefits payable to a minor (a child under age 18), or a person who is legally disabled, must be made to the legally authorized representative of the individual. If your child is a minor and you want a specific individual to be able to handle the survivor benefit payments on the child's behalf, indicate your beneficiary as "(name of individual) as Custodian for (name of child) under the Missouri Transfers to Minors Law."

### *Naming a Trust*

If you consult an attorney for your estate planning, he or she may suggest that you name a trust as your PSRS beneficiary. However, the only benefit payable to your trust is a lump-sum refund of your contributions and interest. If you name your trust as beneficiary, your beneficiary will not be able to choose monthly benefits.

If you want your contributions and interest paid to your trust, write the name of the trust as beneficiary, and include the date it was established. Upon your death, your family will be asked to submit a complete copy of the trust agreement.

### *Naming Your Estate*

The only benefit payable to your estate is a lump-sum refund of your contributions and interest. If you want your contributions and interest paid to your estate in a lump sum, you should write "my estate" as your beneficiary. Upon your death, your family will be asked to submit certified court documents showing an estate has been opened.

## **Reporting a Death**

In the event of your death, a family member or friend should notify PSRS as soon as possible so we can update your records and provide information on benefits payable to your beneficiary(ies). We will need the following information:

- Your name, Social Security number or PSRS member number
- A copy of a death certificate as proof of the date of death
- Name, address and telephone number of a contact person