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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.

PSRS offers three types of survivor benefits for beneficiaries of members who die before retirement:

- A one-time, lump-sum survivor benefit consisting of your contributions and interest
- Monthly dependent-based benefits
- 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 50-55).

Lump-Sum Survivor Benefit

If you die before retirement, any designated beneficiary is eligible for a one-time, lump-sum survivor benefit. No other survivor benefit is payable if a lump-sum survivor benefit is paid.

Beneficiary Qualifications

Eligible beneficiaries include:

- An individual or individuals (split equally unless you indicate otherwise)
- A legally established trust
- Your estate
- Any other legal entity, such as a church, school, or organization

Benefit Amount

This benefit includes your accumulated contributions, any payments you made to reinstate or purchase service, and the interest earned on your contributions as of the date of your death. Employer contributions are not included in a lump-sum survivor benefit.

You can log in to Web Member Services at www.psr-peers.org to view your total contributions and interest or contact us.

Payment

Payment of the lump-sum survivor benefit is typically made within 30 days of receipt of the required application and other documents.

A lump-sum survivor benefit is subject to federal and state income taxes. 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. **Caution: taxable funds rolled over into a Roth IRA are considered taxable income in the year in which the rollover takes place.**

Example

Josie is a PSRS-covered high school business teacher who passes away before she reaches retirement eligibility. She designated her child, John, as her pre-retirement beneficiary. John elects to receive the one-time, lump-sum survivor benefit and a refund of Josie's contributions and interest is paid directly to John. John cannot receive any other type of survivor benefit once this election is made.

Monthly Dependent-Based Survivor Benefits

Member Qualifications

- You must be vested (have five or more years of qualified PSRS service) at the time of your death, or
- You must have at least two years of PSRS service and die while in active PSRS-covered employment, or within one year of the onset of an injury or illness incurred while in PSRS-covered employment, or
- You die while eligible for PSRS disability retirement benefits.

Type of Dependent-Based Survivor Benefits and Beneficiary Qualifications

Monthly dependent-based survivor benefits can be paid to your spouse, children or parent(s) if your beneficiary is properly designated and certain criteria are met.

Spouse-Only Benefit

Your spouse is eligible if:

- He or she is designated as your sole beneficiary, and
- Is age 60 (or upon reaching age 60), and
- Married to you for at least three years, and
- Living with you at the time of your death.

Note: If your spouse is permanently disabled for at least five years immediately before your death, married to you for at least three years and was living with you at the time of your death, he or she could also qualify for monthly dependent-based survivor benefits.

Spouse and Child Benefit

Your spouse is eligible to receive a benefit for himself or herself and any unmarried, dependent children, including stepchildren and adopted children, if:

- He or she is designated as your sole beneficiary, and
- He or she is caring for your unmarried, dependent children.

A dependent child is defined as being under the age of 18, or age 24 if enrolled in school full-time and is not married.

If your spouse elects this type of survivor benefit, a benefit for all eligible children will be paid to your spouse, even though you may not have included them on the beneficiary designation.

If a child is mentally or physically disabled prior to age 18, unable to be gainfully employed and the disability continues after age 18, that child may be eligible for a dependent-based survivor benefit for the rest of his or her life. The benefit stops if the child recovers from the disability, marries or is adopted.

Any dependent child 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.

Your spouse, if under age 60, is eligible to receive this benefit as long as there is an eligible child in his or her care. Once all children are no longer eligible, if you spouse meets the eligibility criteria listed in the Spouse-Only Benefit section, benefits to that spouse will resume when he or she reaches age 60, and are then payable for the rest of his or her lifetime.

Child-Only Benefit

Your unmarried, dependent child(ren) are eligible if:

- At least one eligible child is designated as primary beneficiary, or
- Your spouse and child were receiving benefits under the spouse and child benefit provision and your spouse passes away.

A dependent child is defined as being under the age of 18, or age 24 if enrolled in school full-time and is not married.

If this type of survivor benefit is elected, all eligible children are entitled to receive a benefit, regardless of whether they were designated as a beneficiary.

If a child is mentally or physically disabled prior to age 18, unable to be gainfully employed and the disability continues after age 18, that child may be eligible for a dependent-based survivor benefit

for the rest of his or her life. The benefit stops if the child recovers from the disability, marries or is adopted.

If your 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 beneficiary, he can authorize PSRS to pay dependent-based survivor benefits to all of your eligible children, in lieu of receiving benefits for himself.

Parent Benefit

Your dependent parent(s) is eligible if:

- He or she is designated as sole beneficiary, and
- Is age 65, or upon reaching age 65, and
- Was receiving at least 50% financial support from you at the time of your death.

If both your parents are financially dependent on you at the time of your death, both parents would be eligible to receive a dependent-based survivor benefit.

Benefit Amount

Monthly dependent-based survivor benefit amounts are calculated as a percentage of your last full year of salary, subject to minimum and maximum amounts set by Missouri law. Dependent-based survivor benefits are not eligible for cost-of-living (COLA) adjustments.

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

These benefits are not eligible for cost-of-living adjustments (COLAs).

Monthly Dependent-Based Survivor 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"> • 20% spouse • 10% per child 	<ul style="list-style-type: none"> • \$575 spouse • \$300 per child 	<ul style="list-style-type: none"> • \$860 spouse • \$430 per child • Up to \$2,160 total for all eligible survivors
Dependent Children	16.667% per child	\$500 per child	<ul style="list-style-type: none"> • \$720 per child • Up to \$2,160 total for all eligible children
Dependent Parents	16.667% per parent	\$500 per parent	<ul style="list-style-type: none"> • \$720 per parent • Up to \$1,440 total for both eligible parents

The following is an example of an average monthly dependent-based survivor 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 (gross amount before taxes)	\$ 1,460

Payment

Monthly dependent-based survivor benefits are paid by direct deposit on the last working day of each month. A schedule of direct deposit dates can be found on our website, www.psr-peers.org.

Example

Theresa is a PSRS-covered language arts teacher who passes away prior to retirement. She designated her spouse, Richard, as her pre-retirement beneficiary. Richard and Theresa have three young children. Richard elects the spouse and child dependent-based survivor benefit and receives a monthly benefit for himself, and a benefit for each child. He will continue to receive this benefit until all three children no longer meet the eligibility requirements. His spouse portion of the benefit will resume when he reaches age 60, and will then be payable for the rest of his life.

Monthly Retirement-Based Survivor Benefits

Member Qualifications

You must be vested (have five or more years of eligible service with PSRS) at the time of your death.

Beneficiary Qualifications

Your beneficiary must be one individual.

Your spouse, child or parent is automatically eligible. Any other individual named as your sole beneficiary is eligible if that person can provide documentation showing that he or she was financially dependent on you at the time of your death. Organizations or legal entities are not eligible for monthly retirement-based survivor benefits.

Your beneficiary may be eligible for immediate benefits if you are eligible for retirement at the time of your death, or future benefits based on your retirement eligibility with no additional service earned. For more information on retirement eligibility requirements, see pages 47-49.

Benefit Amount

Monthly retirement-based survivor benefit amounts are based on the retirement benefit you would have received with no additional service earned, and you lived to retirement eligibility and elected the Joint-and-Survivor 100% benefit plan (see pages 51-52). This type of survivor benefit is eligible for cost-of-living adjustments (COLAs) beginning the second January after benefits begin.

Monthly retirement-based survivor benefits are paid for the beneficiary's lifetime.

You can estimate the amount using the Benefit Estimator found in PSRS Web Member Services at www.psr-peers.org.

Payment

Monthly retirement-based survivor benefits are paid by direct deposit on the last working day of each month. A schedule of direct deposit dates can be found on our website, www.psrps-peers.org.

Example

Darren is a PSRS-covered tech support specialist who passes away at age 50 with 15 years of service. He named his wife, Susan, as his pre-retirement beneficiary. Susan can choose to receive either age-reduced monthly retirement-based survivor benefits, beginning when Darren would have reached age 55; or she can choose to receive non-reduced monthly retirement-based survivor benefits, beginning when Darren would have reached age 60. Monthly retirement-based survivor benefits are payable for the beneficiary's lifetime.

Income Taxes on Survivor Benefits

Survivor benefits, whether a lump-sum survivor benefit or monthly benefits, are subject to federal and state income taxes.

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.psrps-peers.org. Your current beneficiary designation is also shown on your annual *Member Statement*, issued each fall.

If you are new to PSRS, please make it a priority to visit Web Member Services and designate your beneficiaries online.

You can also update your beneficiaries using a *Pre-Retirement Beneficiary Designation* form available on our website or from our office.

You can change your designation any time.

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 or individuals
- A legal entity, such as a church, school or organization
- A legally established trust
- Your estate

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.**

The Advantages of Naming One Beneficiary

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 either a lump-sum survivor benefit or either type of monthly survivor benefits.

The same holds true for any other individual named as your sole beneficiary who can provide documentation showing that he or she was financially dependent on you at the time of your death.

Monthly survivor benefits can provide a larger total financial benefit than a lump-sum survivor benefit payment consisting of your contributions and interest.

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

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

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 survivor benefit 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 and dependent children may be eligible for monthly dependent-based survivor benefits. Should both you and your spouse die while one of your children is eligible for monthly dependent-based survivor benefits, **all** of your dependent children are eligible, regardless of whether you have named them as your beneficiaries.

By naming the youngest child first, you provide the greatest beneficiary protection for your children, for the longest possible period of time.

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 survivor benefit consisting 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 survivor benefit consisting 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 ID
- A photocopy of a death certificate as proof of the date of death
- Name, address and telephone number of a contact person