

Legal Disclaimer

This booklet explains your rights, benefits and responsibilities as a member of the Public School Retirement System of Missouri (PSRS). It is intended to serve as a ready source of information about the System and not as a legal document or a substitute for the law. If differences appear between the law and the booklet, the law must prevail.

The System is governed by the laws found in Chapter 169, **Revised Statutes of Missouri** and the **Missouri Code of State Regulations (CSR)** Title 16, Division 10.

Similarly, the law takes precedence over any oral statements made by a representative of PSRS regarding your rights, benefits and responsibilities as a PSRS member.

For further information, please refer to the PSRS **Member Handbook**, contact us at our office or visit us online.



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

PO Box 268
Jefferson City, MO 65102-0268

3210 W. Truman Blvd.
Jefferson City, MO 65109

(573) 634-5290 or
toll free (800) 392-6848

Email: psrspeers@psrspeers.org

Website: www.psrs-peers.org



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Protecting Those You Care About



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI



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 this happens during the working years.

Your PSRS membership helps you protect those you care about by providing financial security for your loved ones if you pass away before retirement.

This brochure provides basic information designed to help you create a beneficiary designation with PSRS that will provide the best possible financial protection for your loved ones in the event of your death. However, every situation is unique.

We encourage you to contact our office if you have questions or concerns, so we can ensure you have all the information you need to determine the best beneficiary designations for you and your family.

NOTE: This brochure addresses the benefits available to your beneficiaries in the event your death **occurs before you retire** with PSRS. If you die after your PSRS retirement, the benefits available to your beneficiaries are based on the benefit plan you select at retirement. For more information on those benefits, please refer to your *Member Handbook*, or visit www.psr-peers.org.



Three Types of Survivor Benefits

PSRS offers three types of survivor benefits for beneficiaries of members who die before PSRS retirement – a one-time, lump-sum survivor benefit, and two different types of monthly survivor benefits, dependent-based or retirement-based.

1 Lump-Sum Survivor Benefit

Beneficiary Qualifications

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.

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 contributions, any payments to reinstate or purchase service and the interest earned on those 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 the receipt of the required application and other documentation.

A lump-sum survivor benefit is subject to federal and Missouri (for Missouri residents only) income tax. If your beneficiary is your spouse, he or she can directly roll the lump-sum survivor benefit 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. **NOTE: taxable funds rolled over into a Roth IRA are considered taxable in the year in which the rollover takes place.**

Beneficiaries should consult the IRS at (800) 829-1040, the Missouri Department of Revenue at (573) 751-3505 or a tax professional for help determining individual tax liability.

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.



2 Monthly Dependent-Based Survivor Benefits

Member Qualifications

- 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 must be vested (have five or more years of qualified PSRS service) at the time of your death, or
- You die while eligible for PSRS disability retirement benefits.

Types 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 child, 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 your spouse meets the eligibility criteria listed in the *Spouse-Only Benefit* section on page 5, 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 (see page 5) 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.

You can view detailed information regarding benefit amounts in your **PSRS Member Handbook**, found on our website, www.psr-peers.org.

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.

Monthly dependent-based retirement benefits are subject to federal and Missouri (for Missouri residents only) income tax. Beneficiaries should consult the IRS at **(800) 829-1040**, the Missouri Department of Revenue at **(573) 751-3505** or a tax professional for help determining individual tax liability.

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.

3 Monthly Retirement-Based Survivor Benefits

Member Qualifications

You must be vested (have five or more years of qualified PSRS service) 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 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.



Benefit Amount

Monthly retirement-based survivor benefit amounts are based on the retirement benefit you would have received with no additional service if you had lived to service retirement eligibility and selected the Joint-and-Survivor 100% benefit plan. This 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 this amount using the Benefit Estimator found on 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 deposit dates can be found on our website, www.psr-peers.org.

Monthly retirement-based survivor benefits are subject to federal and Missouri (for Missouri residents only) income tax. Beneficiaries should consult the IRS at **(800) 829-1040**, the Missouri Department of Revenue at **(573) 751-3505** or a tax professional for help determining individual tax liability.

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.

Designating Beneficiaries

Now that you have a basic understanding of the types of survivor benefits available, it is important to know how you can create a beneficiary designation that provides the best financial protection for your loved ones. How you designate your beneficiaries can have a direct impact on the benefits they are eligible to receive in the event of your death, and whether they will have the option to choose lifetime monthly benefits instead of a lump-sum payment of your contributions and interest.

Your designations will remain valid until you retire unless you change them, or have a life change, such as a marriage, divorce, birth or adoption of a child.

Such life changes automatically void your beneficiary designation, and you must submit a new one. If you do not, Missouri law determines your beneficiaries upon your death. See your **Member Handbook** for more information.

If you are unsure of your current PSRS beneficiary(ies), log in to Web Member Services at www.psr-peers.org, and click the *Beneficiary Information* link found in the *Membership* menu. You can also refer to the last **Member Statement** you received from us.

How to Designate Beneficiaries

- If you are new to PSRS, please make it a priority to visit our website, www.psr-peers.org, and register for access to view your membership information online. You can create and update your beneficiary designation in Web Member Services.
- If you prefer, you can also use a **Pre-Retirement Beneficiary Designation** form, available on our website or by contacting our office.



Tips for Designating Beneficiaries

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



If You are Married with Dependent Children

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

If You are a Single Parent with Dependent Children

- To ensure eligibility for immediate benefits payable to dependent children, you should, in most cases, name your youngest dependent child as your primary beneficiary, your next youngest as your first contingent, and so on.
- If 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.

Naming 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 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 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.
- Joint beneficiaries will share a lump-sum survivor benefit equally unless you specify otherwise.

Naming a Trust

- The only benefit payable to your trust is a lump-sum survivor benefit consisting of your contributions and interest.
- 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, designate "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

Your family should notify PSRS as soon as possible when your death occurs so we can update your membership and provide information on survivor benefits to your beneficiary(ies). Upon your death, we will need:

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

