

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, there can be significant stress on a family's finances. Your Public School Retirement System of Missouri (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 explains how to choose beneficiary designations based on the needs of your family. Every situation is unique, so please contact our office if you have questions. We want to help you make the best decision for those you care about.

NOTE: This brochure covers the benefits for beneficiaries if you die *before* retiring with PSRS. If you die after retirement, benefits available depend on the plan you select at retirement. For more details, please refer to your **Member Handbook** or visit www.psr-peers.org.



3 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 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. If this benefit is paid, no other survivor benefit is available.

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 your contributions as of your death. Employer contributions are not included.

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

Payment

Payment of the lump-sum survivor benefit is typically made within 30 days of PSRS receiving the required application and other documentation.

A lump-sum survivor benefit is subject to federal and Missouri (for Missouri residents only) income tax. Spouses can directly roll the lump-sum survivor benefit into a qualified retirement plan to avoid immediate tax liability. Other beneficiaries can directly roll the payment into an inherited IRA.

NOTE: Taxable funds rolled into a Roth IRA are considered taxable in the year of the rollover.

For help with tax liability, consult the IRS at **(800) 829-1040**, the Missouri Department of Revenue at **(573) 751-3505**, or a tax professional.

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 chooses the one-time, lump-sum survivor benefit and receives a refund of Josie's contributions and interest. After making this election, John cannot receive any other survivor benefit.



2 Monthly Dependent-Based Survivor Benefits

Member Qualifications

For your beneficiary to receive monthly dependent-based survivor benefits, you must:

- Have at least two years of PSRS service and die either 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
- Be vested (have five or more years of qualified PSRS service) at the time of your death, or
- Be eligible for PSRS disability retirement benefits at the time of your death.

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
- Married to you for at least three years, and
- Living with you at the time of your death, and
- Either age 60 (or upon reaching age 60), or permanently disabled for at least five years immediately before your death

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
- Caring for your unmarried, dependent children.

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

If your spouse elects this type of survivor benefit, he or she will receive a benefit for all eligible children, regardless of whether you designated them as beneficiaries.

If a child is mentally or physically disabled before 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 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 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 children are eligible if:

- At least one eligible child is designated as the primary beneficiary, or
- Your spouse and children 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 either under the age of 18 or under the age of 24 if enrolled in school full time, and not married.

If this type of survivor benefit is elected, all eligible children are entitled to receive a benefit, regardless of whether you designated them as beneficiaries.

If a child is mentally or physically disabled before 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 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, instead of receiving benefits for himself.

Parent Benefit

Your dependent parent is eligible if he or she is:

- Designated as sole beneficiary, and
- Age 65, or upon reaching age 65, and
- 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. These 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 **Member Handbook**, found on our website, www.psrs-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.psrs-peers.org.

These benefits are subject to federal and Missouri (for Missouri residents only) income tax. For help with tax liability, consult the IRS at **(800) 829-1040**, the Missouri Department of Revenue at **(573) 751-3505**, or a tax professional.

Example

Theresa is a PSRS-covered language arts teacher who passes away before she reaches retirement. She designated her spouse, Richard, as her pre-retirement beneficiary. They have three young children. Richard elects the spouse-and-child dependent-based survivor benefit. He receives a monthly benefit for himself and 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 paid for the rest of his life.

3 Monthly Retirement-Based Survivor Benefits

Member Qualifications

For your beneficiary to receive monthly retirement-based survivor benefits, 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 financial dependence 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 either for immediate benefits if you are eligible for retirement at the time of your death or for future benefits based on your retirement eligibility with no additional service earned.



Benefit Amount

Monthly retirement-based survivor benefits are based on the retirement benefit you would have received if you had earned no additional service, reached 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.psrs-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.psrs-peers.org.

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

Example

Darren is a PSRS-covered tech support specialist who dies 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. She will receive monthly benefits for the rest of her life.

Designating Beneficiaries

Now that you understand the types of survivor benefits available, it is important to know how to choose beneficiary designations that best protect your loved ones. The way you designate your beneficiaries directly affects the benefits they are eligible to receive if you die 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 marriage, divorce, birth, or adoption. 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.psrs-peers.org and click the **Beneficiary Information** link in the **Membership** menu. You can also refer to your last **Member Statement**.



How to Designate Beneficiaries

- If you are new to PSRS, please make it a priority to visit www.psr-peers.org and register for Web Member Services, where you can create and update your beneficiary designations.
- If you prefer, you can also use a ***Pre-Retirement Beneficiary Designation*** form, available by contacting our office.



Tips for Designating Beneficiaries

Advantages of Naming 1 Beneficiary

- If you are vested at the time of your death and have named 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 of financial dependence on you.
- Monthly benefits can provide a larger total financial benefit than a lump-sum payment.



If You Are Married with Dependent Children

- To ensure 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.
- At your death, your spouse and dependent children may be eligible for monthly dependent-based survivor benefits. If both you and your spouse die while a child is eligible for monthly dependent-based survivor benefits, then **all** dependent children are eligible, regardless of whether you named them as beneficiaries.
- By naming the youngest child first, you provide the greatest protection for your children, for the longest possible 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 child is eligible for monthly dependent-based survivor benefits, all dependent children are eligible, regardless of whether you named them as beneficiaries.
- By naming the youngest child first, you provide the greatest protection for your children, for the longest possible 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 1 Individual to Share Benefits)

- To ensure monthly retirement-based benefits are available, name only one beneficiary. Monthly survivor benefits cannot be paid when joint beneficiaries are listed.
- Joint beneficiaries will share a lump-sum survivor benefit, 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

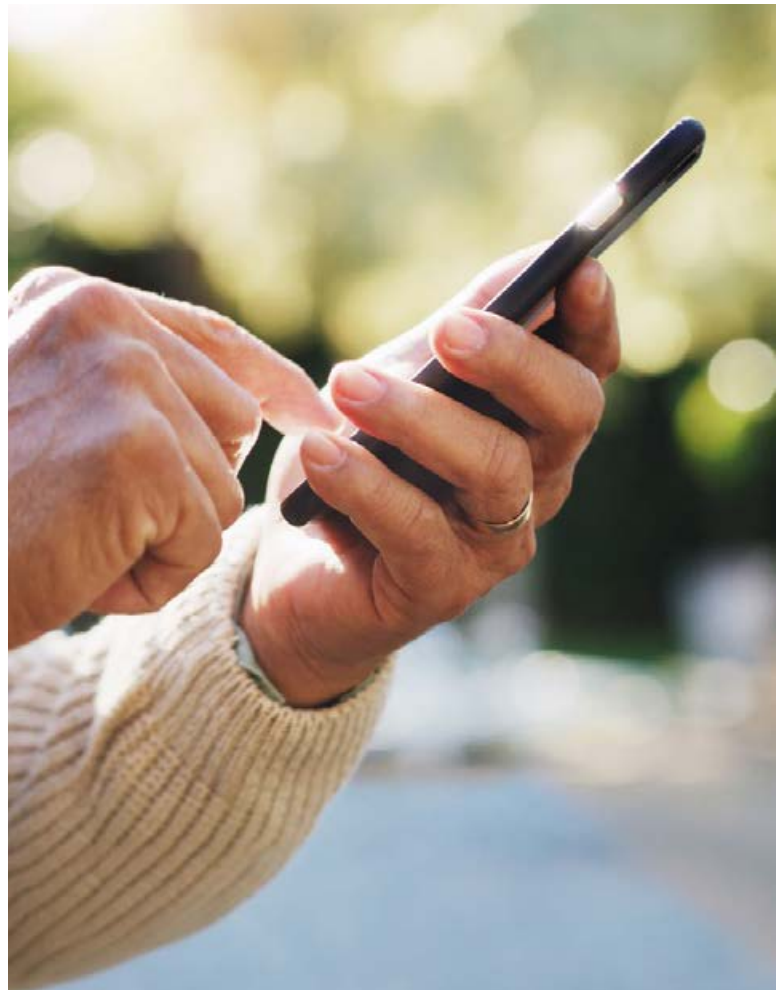
- The only benefit payable to your estate is a lump-sum survivor benefit consisting of your contributions and interest.
- If you want your contributions and interest paid to your estate in a lump sum, designate "my estate" as your beneficiary. Upon your death, your family will be asked to submit certified 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 or beneficiaries. Upon your death, we will need:

- Your name
- Your 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



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.



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