



# 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.

Two 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 retirement-based survivor benefits

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

### Lump-Sum Refund

If you die 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.**

### Retirement-Based Survivor Benefits

If your death occurs after you are vested (five or more years of eligible credit with PEERS), your sole beneficiary, if he or she has an **insurable interest** in your life, may elect a retirement-based, lifetime 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 51**), is the monthly amount you would have received with no additional service had you lived to 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 41-45**) 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 fourth January after the effective date of benefits. See the *Service Retirement* section for additional

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information about COLAs (**page 60**). If the death of your beneficiary occurs prior to receiving payments equal to your account balance, the remaining balance is paid in accordance with the 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 PEERS. 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 PEERS,
- 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, share and share alike,
3. Surviving parents, share and share alike, and
4. 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 PEERS, on the PEERS website, or from your employer.

**If you want your beneficiary to be able to choose a lifetime monthly benefit, you cannot list joint beneficiaries.**

## Naming Beneficiaries

If you name joint primary or contingent beneficiaries, they will share equally in the 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 multiple beneficiaries, an estate, a trust, or a beneficiary not eligible for monthly benefit payments, is a lump-sum refund of your account balance as of the date of your death.**

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Some tips for making beneficiary designations follow:

- If you are married, naming your spouse as sole beneficiary provides the greatest financial protection.
- 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.
- If you are a vested member, naming an individual with an insurable interest in your life as sole beneficiary provides that beneficiary eligibility for monthly retirement-based benefits, if you are eligible, or when you are eligible, to retire.

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

## Income Tax on Survivor Benefits

Survivor benefits, whether a lump-sum refund or monthly benefits, 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.