



# Death Benefits



**PERSI**

Public Employee Retirement System of Idaho

# PERSI BASE AND CHOICE 401(k) PLAN DEATH BENEFITS

## BASE PLAN DEATH BENEFITS

As an active PERSI member, you make contributions to the PERSI Base Plan every pay period. Your contributions are placed in an account for you, and you earn interest on the funds until a payment is made for retirement or death, whichever happens first.

When you die, the person(s) you designate as your beneficiary(ies) may receive a death benefit. If a death benefit is available, it will be equal to at least the balance of your account, and in some cases it will be more. (*Important note: Contributions made by your employer are not part of your account; therefore, they are not part of a death benefit.*) Whether you are entitled to a death benefit and the amount and method of payment can differ from member to member depending on membership status (vested or non-vested member, disability retirement, or retiree) and other factors discussed in this booklet. It is important for you and your beneficiary(ies) to understand PERSI death benefits: what they are, what they are not, and how they are paid.

### Beneficiary vs. Contingent Annuitant

The terms “beneficiary” and “contingent annuitant” (CA) are often confused. They have very different meanings and are not interchangeable. This booklet is about death benefits and beneficiaries, and discusses CAs only as needed to explain death benefits. If you need specific information regarding contingent annuitants, contact PERSI.

**Beneficiary:** The person (or persons) named by you (at any time) to receive your death benefit.

**Contingent Annuitant:** The person (only one person) named by you (at retirement) to receive benefit payments upon your death *if* you chose one of the available CA retirement options. (Applies to your Base Plan only, not to your Choice 401(k) Plan.) You may, but are not required to name the same person as beneficiary and CA. (See page 4 regarding *Naming a Beneficiary*.)

### Base Plan Death Benefit and Your Beneficiary

If you are an active or inactive member, upon your death your named beneficiary will receive a death benefit. The benefit will be equal to at least the balance of your account plus interest. If you are a retiree, upon your death (and the death of your CA if you named one), your beneficiary *may* receive a death benefit of any contributions plus interest remaining in your account. In many cases, and generally after a retiree has received benefits for 3 or 4 years, his/her contributions have been paid to him/her or the CA, so when the member (and if applicable, the CA ) dies, there is no money left in the member’s account for a death benefit.

Unlike a beneficiary, your contingent annuitant receives a payment for the rest of his/her life if you die first. This payment is available because you, as the member, received a smaller monthly payment during your lifetime because you chose a CA retirement option. ***It is not the same as a death benefit.***

## Base Plan Death Benefits Before Retirement

### Non-Vested Members

If you are not vested when you die, your beneficiary will receive a lump sum death benefit consisting of the contributions you made to the account plus interest. *Contributions made by your employer are not payable.*

### Vested Members

If you are vested when you die, several criteria affect the distribution of death benefits:

#### ***Double Death Benefit***

- If you were an active member on or after July 1, 1999 (when the double death benefit went into effect), your beneficiary may receive two times your Base Plan contributions plus interest, less any payments already made to you, and minus any payments made in the form of an optional death benefit. The double death benefit is not available to early or service retirees (see below regarding *Death Benefits After Retirement*), but may be available to disability retirees (see page 3 regarding *Death While on Disability*).

#### ***Lifetime Annuity***

- If you have a surviving spouse who was named as your sole beneficiary, he/she can elect to waive the double death benefit and replace it with a lifetime monthly benefit.

#### ***Waiver of Benefit***

- If you have a surviving spouse who is not your designated beneficiary, the designated beneficiary may waive his/her rights to the lump sum payment and request a lifetime monthly payment be made to your surviving spouse instead.

**Example:** If you named your daughter as your sole primary beneficiary, she may choose not to take the lump sum death benefit payment so a lifetime monthly payment can be made to your spouse.

**Caution:** If you want your spouse to have the choice between a lump sum payment or a lifetime monthly benefit, you might want to name your spouse as your sole primary beneficiary. If you name your spouse to share the benefit with one or more other people, he/she will not have the option of a lifetime benefit unless the other beneficiary(ies) waive their portion. It is important to remember this particularly if you decide to name a minor child as a beneficiary, as it is more difficult to obtain a legal waiver from the minor. (See page 5 regarding *Naming a Minor as a Beneficiary*.)

The amount of the spousal monthly allowance is not based solely on your Base Plan contributions. It is also based on your age at death, the age of your spouse, your total months of service, your average monthly salary, and a multiplier. The allowance will be calculated under Retirement Option 1 - 100% Contingent Annuitant Allowance as if you retired the day before you died. In all cases, your spouse and/or beneficiary(ies) will be notified of the dollar value of the available choices.

## Base Plan Death Benefits After Retirement

If you die after retirement and you selected a Contingent Annuitant Option, your CA will receive a monthly allowance for the remainder of his/her life rather than a lump sum death benefit.

Regardless of the allowance option you choose at retirement, your beneficiary(ies) will receive a lump sum death benefit *only if* both you and your CA die before all of your contributions and interest have been paid out in monthly retirement benefits. The lump sum payment will consist of the balance in your PERSI account, including any interest earned until the time of your retirement. No interest is earned after retirement. Generally, after a retirement benefit has been paid for 3 or 4 years to you and/or your CA, there is no money left in your account so there would be no death benefit for your beneficiary(ies).

PERSI should be notified as quickly as possible following the death of a retiree. Any retirement benefits paid after the month of death, whether the payment is by check or direct deposit, must be returned to PERSI. Benefits paid during the month of death do not need to be returned. If there are any CA or death benefits to be paid, PERSI will contact the appropriate party(ies).

### Death After Applying for Retirement, But Before Receiving Payment

If you should die **after you've terminated** employment and submitted a retirement application to PERSI, **but before you've received your first benefit payment**, the retirement option and date you selected will stand. Once PERSI receives your signed application, the retirement is effective regardless of whether you received a payment.

If you were to file a retirement application, but die **before terminating** employment, you would still be considered an active member, and the options explained on page 2 would apply.

### Death While On Disability Retirement

If you should die while on disability retirement, there are two options available:

1. Your beneficiary(ies) may receive two times the amount in your Base Plan account at the time you became disabled, less any amount already paid to you (unless you became disabled *prior* to July 1, 1999, which is when the double death benefit went into effect); or
2. If you have a surviving spouse, your beneficiary(ies) may choose to waive their lump sum benefit to instead have a monthly allowance paid to your surviving spouse for his/her lifetime.

## CHOICE 401(k) PLAN DEATH BENEFITS

The full value of your Choice 401(k) Plan account is available to your beneficiary(ies) upon your death. Depending on individual circumstances and who you named as beneficiary, there are several payment options, including:

- a lump sum payment
- monthly installment payments
- roll the account balance to an eligible retirement plan, such as a 401(a), 403(b), 457, pre-tax IRA, or another 401(k) plan
- leave the assets in the Choice Plan
- a combination of the above options

If your account balance is more than \$200 and your beneficiary is your spouse, he/she may choose from several options. If your beneficiary is not your spouse, he/she may only choose to take a lump sum payment or roll the funds into an Individual Retirement Account (IRA). Options are based on your account balance on the date a distribution is requested.

### Lump Sum Payment Directly to a Beneficiary

Lump sum payments to spouse beneficiaries are considered eligible rollover distributions; therefore, subject to a mandatory 20 percent federal tax withholding and possibly state income tax withholding. The 20 percent withholding rate is required. A non-spouse beneficiary is subject to a mandatory 10 percent withholding, but may choose to have no tax withheld by submitting Form W-4P to PERSI. Beneficiaries under age 59½ are not subject to the 10 percent early distribution tax when the employee dies (IRS Publication 560).

### Leave the Funds in the Choice 401(k) Plan

Your spousal beneficiary may leave the funds in the Choice 401(k) Plan until a later date if the balance exceeds \$200. The funds will be subject to minimum distribution requirements when he/she turns age 70½. By leaving the money in the account, your surviving spouse defers paying taxes. Your beneficiary will be responsible for paying the annual record keeping fee to maintain the account, which is currently \$30. The fee will be assessed against the account monthly (\$2.50) beginning the calendar month starting 90 days after your death.

### Rollover to an IRA or Eligible Retirement Plan

A spousal beneficiary may transfer your Choice 401(k) Plan account balance via a direct rollover into an eligible retirement plan such as a 401(a), 403(b), 457, another 401(k) plan, or an IRA. By transferring the funds via direct rollover, taxes are deferred. A non-spouse beneficiary may directly rollover the funds into an IRA established on behalf of the designated beneficiary that will be treated as an inherited IRA. It must be set up in a way that identifies it as an IRA with respect to a deceased person and must name the beneficiary (e.g., Jim Washington as beneficiary of Tom Johnson). A direct rollover is not subject to tax withholding and the beneficiary is not taxed until the money is withdrawn.

### Installment Payments

Installment payments are available only if your beneficiary is your surviving spouse, and only if the account balance exceeds \$5000. Monthly installments can be paid in a fixed monthly amount not to exceed 120 months, or in substantially equal payments over a fixed period. Your surviving spouse will be responsible for paying the record keeping fee to maintain the account, which is currently \$30 annually, during the time the installment payments are being made.

## NAMING A BENEFICIARY

Your beneficiary designation applies to both your PERSI Base Plan and your Choice 401(k) Plan accounts. When naming a beneficiary, you may select one or more persons and also direct whether the benefit is paid in equal shares or in different percentages. You may also name a charity, trust, estate, or institution as a beneficiary. You may name both primary and secondary beneficiaries. The primary beneficiary is the first to receive benefits when you die, and the secondary beneficiary receives benefits if no primary beneficiary is living when you die. While you do not have to name a beneficiary, it is recommended. The beneficiary form along with instructions is available on the PERSI Web site.

If PERSI does not have a beneficiary form on file, death benefits will be paid as follows: Under Idaho laws of descent, if there is no beneficiary, benefits will be paid to the surviving spouse; if there is no surviving spouse, the death benefit is considered part of the member's estate and will be distributed accordingly.

## NAMING A MINOR AS A BENEFICIARY

You may name a minor as a beneficiary, but PERSI cannot pay the death benefit to a minor until he/she reaches the age of majority. [The age of majority in Idaho is 18; however, under the Idaho Uniform Transfers to Minors Act (UTMA) it is age 21.] If you decide to name a minor as a beneficiary, it is advisable to also name a custodian under UTMA. Naming a custodian authorizes PERSI to distribute the benefits without a long delay. If a custodian is not named, and the benefit amount exceeds \$25,000, a court must appoint a custodian and approve the distribution. A custodian must be at least 21 years of age. He/she will have to complete a Request for Death Benefit Payment form (RS-129) and acknowledge receipt of funds before PERSI releases any money. This may seem odd, but the receipt serves as a discharge of the custodial property. *Note: A minor cannot waive their rights to a benefit.*

If a minor was named as beneficiary and no custodian was named, but since being named as a beneficiary the minor turned 18, PERSI can pay the death benefit directly to them. In this case, the beneficiary would need to complete the Request for Death Benefit Payment form (RS-129), which is available by calling PERSI. If a custodian was named, under UTMA, the minor must turn 21 for PERSI to pay the benefit directly.

## CHANGING A BENEFICIARY

It's important to keep your beneficiary designation up to date. Often, members will name one person as a beneficiary and then forget to change the designation if they divorce, marry, have children, etc. Members also forget to make a change when a beneficiary dies. Your beneficiary is listed on your annual Base Plan Benefits statement. If you have not updated your PERSI beneficiary designation in some time, and you've had major life changes in your family, you may need or want to complete a new Beneficiary Designation form (RS-115), which can be found on the PERSI Web site.

**Example of how an outdated beneficiary can be problematic:** Mary was married to Joe when she first became a PERSI member, so she named him as her beneficiary. Five years later, they divorced. Mary later married Bill, but she never got around to changing her beneficiary designation. After 10 years of marriage, Mary died. Although Mary probably wanted Bill to receive her death benefit, Joe will receive the benefit because he is still Mary's designated beneficiary. As the beneficiary, Joe does have the option of waiving the benefit so Bill (the surviving spouse) can receive a monthly allowance for the remainder of his life; however, Joe has no obligation to do so.

You may change your beneficiary at any time. You can obtain a Beneficiary Designation form (RS-115) from any PERSI office, the PERSI Web site, or from your employer. To be valid, the form must be signed, dated, and on file with PERSI prior to your death.

## APPLYING FOR DEATH BENEFITS

PERSI should be notified as soon as possible following a member's death, regardless of whether the member was active, inactive, or a retiree. If there are any benefits to be paid, PERSI will contact the designated beneficiary(ies) and/or the contingent annuitant. Before any benefits can be paid, PERSI must receive a copy of the death certificate and a copy of the Social Security cards of all benefit recipients. If the member dies before retirement and was still actively employed by a PERSI employer, PERSI must also receive a Notice of Separation form (RS-109) from the member's last employer.

Generally, if PERSI can easily locate all beneficiaries, payment of the death benefit is made within 6 weeks. If a CA is to receive monthly payments, they usually begin within 2 months following notification of the death.

## TAXES ON LUMP SUM PAYMENTS TO BENEFICIARIES

Base Plan and Choice 401(k) Plan death benefits, whether taken as a lump sum or in monthly installments, may be subject in whole or in part to federal and state income tax. A 1099 form is sent to both beneficiaries who receive a lump sum check and to monthly benefit recipients at the end of each year. The rules pertaining to the taxation of death benefits are complicated and contain many conditions and exceptions; therefore, PERSI suggests that beneficiaries consult with a tax or financial advisor before taking a payment of benefits from PERSI.

## SURVIVOR COMPENSATION FOR PUBLIC SAFETY OFFICERS

In the event a public safety officer (police and paid firefighters) dies as a direct result of a personal injury sustained in the line of duty, a death benefit of \$100,000 may be paid to the officer's surviving spouse. If there is no spouse, the benefit is divided among the officer's dependent children. *To be eligible for this benefit, the beneficiary must first apply for and receive payment of the federal death benefit.* The PERSI benefit will not be paid if death was caused by the *intentional misconduct* of the officer, by the officer's *intent to inflict injury*, or if the officer was *voluntarily intoxicated* at the time of death. Benefit payments will not be paid to a person whose actions were a *substantial contributing factor* to the officer's death.

Public safety officers are entitled to the same benefits as other PERSI members for the distribution of their Base Plan and Choice 401(k) Plan account upon death. If the officer is a non-vested member, his/her beneficiary will receive a lump sum payment of the member's contributions plus interest. If the officer is a vested member, his/her beneficiary will receive a lump sum payment of two times the member's account plus interest. If the member was married and named his/her spouse as the sole beneficiary, the spouse may choose a lump sum payment or a lifetime monthly benefit. If the member was married, but his/her spouse was not the sole beneficiary, the beneficiary may waive the lump sum payment to allow the surviving spouse to receive a lifetime monthly benefit instead.

## FALSE CLAIMS FOR BENEFITS

It is against state law for any person, including PERSI members, spouses, beneficiaries, and family members, to knowingly make a false claim for benefits or payment of money by PERSI.

## NOTES

**The Public Employee Retirement System of Idaho  
has three offices to serve you.**

**607 North 8<sup>th</sup> Street  
Boise, Idaho 83702**

**2005 Ironwood Pkwy, Suite 226  
Coeur d'Alene, Idaho 83814**

**850 E Center, Suite D  
Pocatello, Idaho 83201**

**1-800-451-8228 or 208-334-3365**

The information in this booklet is also available  
on PERSI's Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov)

*The information in this booklet is based on 2009 law. It is intended to explain PERSI retirement options as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. [Firefighters' Retirement Fund](#), [Idaho Falls City Police](#), and [Boise City Police](#) may have different benefits.*

