

## **Protecting Your Beneficiary**

When a loved one dies, beneficiaries often find they are overwhelmed and unprepared to deal with the death benefit process. Your beneficiaries depend on you so it is very important for Teachers' Retirement System (TRS) members to keep their beneficiaries current and provide them with as much advance information as possible.

Some may say I already did that. Good start. But life changes with marriage, children, divorce, or death of a beneficiary may catch you unaware. That is why you need to review your beneficiary regularly because beneficiaries are paid from the most recent designation on file.

If you do not list a beneficiary or your primary beneficiary predeceases you and you have no contingent beneficiary, the beneficiary payment will go to the deceased member's estate.

### **Designating or Changing a Beneficiary for an Active or Inactive Member**

New members designate a primary and contingent beneficiary or multiple beneficiaries when they begin employment. If the member wishes to change the beneficiary designation, complete a RSA 100-C CHANGE OF BENEFICIARY FORM-PRIOR TO RETIREMENT. Do not use this form if you are retired or participating in DROP. Keeping your beneficiary current will help avoid legal difficulties and not delay payment of the death benefit to your beneficiary. Review your statement every year to ensure you have designated the beneficiary of your choice.

### **Death of an Active Member**

The death benefit process begins when the TRS is notified of the member's death. It is important for the death to be reported as soon as possible to avoid any delays or problems. Contact Member Services at 877.517.0020. The TRS will send you FORM RSA-SB APPLICATION FOR SURVIVOR BENEFIT to be completed with a list of documents (for example, Certified Death Certificate) the TRS requires to complete the process. The beneficiary may also obtain the application from the member's employer or the RSA Web site at [www.rsa-al.gov](http://www.rsa-al.gov).

### **Death Benefits of an Active Member**

If a member dies prior to retirement, death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement. Consult your TRS Member Handbook or visit our Web site for information on preretirement death benefits.

### **Changing a Beneficiary for a Retired Member**

Retirees who elect the Maximum Monthly Benefit or Option 1 Benefit may change their beneficiary as often as they like. Retirees who elected joint survivor options (Option 2 or 3) at the time of retirement may name a new beneficiary under two conditions: if the named beneficiary dies before the retired member, or there is a divorce between the retired member and the beneficiary. There may be a recalculation of the benefit amount for the retiree and beneficiary. The replacement beneficiary must be in place for at least two years to become effective. If the retiree dies within this two year period, no monthly survivor benefit is payable.

The retired member should contact the TRS for the necessary form required to change a beneficiary.

## Death of a Retired Member

Please notify the TRS as soon as possible upon the death of a retiree. Upon notification, the TRS will mail the necessary form and information to the retired member's designated beneficiary. Any benefit payments issued after the member's death must be returned to the TRS before the beneficiary payment(s) will be processed.

## Death Benefits of a Retired Member

Once the TRS receives the documents from the beneficiary, the TRS will determine and calculate the benefits due to the beneficiary. In the month of death, the monthly retirement benefit will need to be returned to the TRS, unless the date of death is the last day of the month.

- If the retired member selected the Maximum retirement benefit, the beneficiary will receive a pro rata payment for the number of days the member was living in the month of death.
- If the retired member selected the Option 1 retirement benefit, the beneficiary will receive a pro rata payment for the number of days the member was living in the month of death and any balance in the member's account at the time of death.
- If the retired member selected the Option 2 retirement benefit, the beneficiary will continue to receive the same monthly benefit as the member, other than Cost-of-Living Adjustments to the beneficiary that were not approved by the Legislature.
- If the retired member selected the Option 3 retirement benefit, the beneficiary will begin to receive 50 percent of the monthly benefit of the member, other than Cost-of-Living Adjustments to the beneficiary that were not approved by the Legislature.

## Helpful Hints

- Have a copy of your will accessible to the executor of the estate.
- Death benefits may be subject to federal income tax, but not state and local taxes. If the beneficiary lives outside Alabama, consult that state's tax agency about tax consequences.
- Keep your beneficiary updated at all times.
- Beneficiaries should also use direct deposit for monthly benefit payments.
- Consult an attorney or tax advisor.

Do you know who your beneficiary is? If not, review your TRS benefit statement or contact the TRS to provide the information in writing.

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in "Preparing for Retirement", please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our Web site at [www.rsa-al.gov](http://www.rsa-al.gov).