



Selecting a Beneficiary

Tennessee Consolidated Retirement System



A program of the
Tennessee Treasury Department

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INTRODUCTION

One of the first decisions you will make as a member of TCRS is to name your beneficiary. Naming a beneficiary is important as this is the person or entity who may receive any benefits from TCRS upon your death, before or after retirement.

It is important that you name a beneficiary as soon as you become a TCRS member because there may be benefits payable in the unlikely event that you die before retirement. You can name your TCRS beneficiary by using the Member Self-Service online portal at www.MyTCRS.com. When selecting a beneficiary, you should consider the system's survivor benefit provisions in light of your circumstances. You should also consider any changes in life circumstances that occur during your career and update the designated beneficiary, if appropriate, at any time before retirement. When you apply for retirement, you will have another opportunity to name a beneficiary to receive any benefits that may be due upon your death after retirement.

This document contains information regarding the benefits provided by TCRS in the event of your death, before or after retirement. Listed for each type of benefit are the requirements a member must meet, the type of payment available, and the eligible beneficiaries. The benefits available to your named beneficiary(s) are impacted by type of member you are, your amount of service and age, your employed status, and who you designate as a beneficiary.

Prior to Retirement - Types of Survivorship Benefits

If a member dies prior to retirement, the selected beneficiary may be entitled to survivor benefits. The type of benefit payable to the beneficiary would be determined by the member's age, creditable service, employment status, and relationship between the member and the named beneficiary. If the member is not married to the designated beneficiary, referred to as a "non-spouse" beneficiary by the Internal Revenue Service, some payment and annuity options will differ based on the adjusted age difference between the member and their designated beneficiary(s). The IRS limits survivorship benefits paid to non-spouse beneficiaries if the adjusted age difference between the member and the designated beneficiary is 11 years or more.

Any annuity benefits payable may be reduced by the early retirement reduction factor and/or the appropriate option.

Single Lump Sum Payment

For a contributory member with an account balance greater than zero and who dies while not in service (150 or more days after last paid day of employment), a lump sum payment of accumulated member contributions, plus interest, may be paid to the named beneficiary. The named beneficiary may be an individual, estate, or institution. Multiple individuals may be named.

Double Lump Sum Payment

For a contributory member with an account balance greater than zero and who dies in service (within 150 days of last paid day of work) a lump sum payment of accumulated employee contributions, plus interest, and a matching amount from the employer, may be paid to the named beneficiary. The named beneficiary may be an individual, estate, or institution. Multiple individuals may be named. The IRS may limit this payment option if the designated beneficiary is a non-spouse with an adjusted age difference of 11 years or more.

10-Year Annuity Payment

In lieu of receiving the Double Lump Sum Payment, a sole, individual designated as beneficiary by a member who had at least 10 years of service may convert the lump-sum amount into a monthly annuity payable over 120 consecutive monthly payments. For political subdivision employees, this option is only available if the political subdivision has elected to provide it. The IRS may limit this payment option if the designated beneficiary is a non-spouse with an adjusted age difference of 11 years or more.

Automatic Option 1 Retirement Annuity to Spouse

For a member with 10 years of applicable service who dies in service (within 150 days of last paid day of work), a lifetime monthly annuity may be paid to the member's spouse if the spouse is named as beneficiary. The payment is equal to that of the member's benefit calculated under Survivorship Option 1 for retired members. The benefit is reduced for each month that the member's death precedes the member's service retirement date. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

In-Service Option 1 Retirement Annuity

For a member who dies in service (within 150 days of last paid day of work) and who was eligible for early service retirement, a lifetime monthly annuity may be paid to the individual or individuals named as the member's beneficiary(s). The payment is equal to that of the member's benefit calculated under Survivorship Option 1 for retired members. The benefit is reduced by the early retirement reduction factor if the member was eligible for early service retirement, but not for service retirement, at the date of death. The option is only available if the member designated a spouse as their sole beneficiary, or if the adjusted age difference between the member and any non-spouse beneficiary is less than 11 years.

Inactive Death Option 2 Retirement Annuity to Spouse

For a member with 10 years of applicable service, who dies while not in service (150 or more days after last paid day of employment), and who was not yet eligible for early service retirement, a lifetime monthly annuity may be paid to the member's spouse if the spouse is named as beneficiary. The payment is equal to 50% of the member's calculated benefit under Survivorship Option II for retired members. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

Death In the Line of Duty

For a member who dies while in the actual performance of his or her duties as a result of an accident or physical violence, a monthly annuity payment equal to one-half of the member's 5-year Average Final Compensation, plus, if applicable, benefit improvement factor, may be paid to the spouse or minor children of the member if named as beneficiary or beneficiaries. The monthly annuity payment is paid for the life of the spouse if named, and until age 22 if a minor child or children are named. If a spouse or minor children are not named as the member's beneficiary, then a named beneficiary(s) or the member's estate may receive a \$50,000 lump sum payment. The lump sum payment is made to the member's estate if no beneficiary is named. For political subdivision employees, this option is only available if the political subdivision has elected to provide it.

What TCRS Will Do If You Die Before Retirement

When TCRS is notified of the death of a member who has not retired, TCRS will review the member's record to determine what survivor benefits, if any, may be payable. If there are no benefits payable, then your named beneficiary(s) will be sent a notification. If benefits are payable, TCRS will send the named beneficiary(s) forms relative to their eligibility for a survivor benefit. The beneficiary(s) must then return all documents, with a copy of the death certificate, to TCRS in order to begin receiving benefits.

Survivorship Benefits After Retirement

When you apply for retirement benefits from TCRS, you will have another opportunity to update your beneficiary. This beneficiary may be eligible for benefits in the event of your death, depending on the retirement benefit option you select. At retirement, you may select one of the following benefit options and designate a beneficiary:

Single Life Annuity Options:

Options offered to the member upon retirement that will provide a monthly benefit ceasing at the member's death. With either of these options, any remaining balance of accumulated member contributions and interest will be paid to the surviving designated beneficiary or beneficiaries in a lump sum in the event of your death. Please note that the payment

of accumulated member contributions and interest only applies for contributory members. If the payment issued in the member's month of death is returned to TCRS by the member's financial institution, the designated beneficiary or beneficiaries may be eligible to receive it. Otherwise, no payment will be made to the designated beneficiary of a deceased member who has chosen a Single Life Annuity Option. The designated beneficiary may be your Estate.

TCRS offers two Single Life Annuity Options:

- **Member Only Option:** A maximum monthly benefit payable for the member's lifetime with all benefits ceasing at the member's death.
- **Social Security Leveling Option:** A member may convert his or her monthly retirement benefit into an increased benefit payable prior to the date the member attains age 62 and is eligible to draw Social Security Benefits. The increase in the benefit is a portion of the amount the member would be eligible to receive from Social Security at age 62. The monthly benefit would then be reduced at age 62 for the remainder of the member's life, ceasing at death. The reduction would be equal to the full amount the member is eligible to receive from Social Security at age 62.

Joint and Survivor Plans:

TCRS offers four types of Joint and Survivor Plans. The member's designated beneficiary(s) is a determining factor in which options are available to the member. The relationship to the member and the age of the beneficiary(s) determine the available options and the amount of the monthly retirement benefit. If a member designates their spouse, they can select any of the four options, regardless of the age difference. If the member is not married to the designated beneficiary, referred to as a "non-spouse" beneficiary by the Internal Revenue Service, then the available Joint and Survivorship options will differ based on the adjusted age difference between the member and their designated beneficiary(s). The IRS limits survivorship benefits paid to non-spouse beneficiaries if the adjusted age difference between the member and the designated beneficiary is 11 years or more.

The adjusted age difference is calculated using the ages the member and the beneficiary will turn on their respective birthdays in the year the member retires from TCRS-covered employment and begins drawing a retirement benefit. If multiple beneficiaries are selected, the calculations will use the age of the youngest beneficiary. For members aged 70 or older, the actual age difference between the member and beneficiary is used. For members under age 70 the following formula is used to calculate the adjusted age difference: $(\text{Member's Age} - \text{Beneficiary's Age}) - (70 - \text{Member's Age})$.

For example: the following calculation is the adjusted age difference between a member aged 60 and a non-spouse beneficiary aged 34: $(60 - 34) - (70 - 60) = 16$ years adjusted age difference

Members can only choose one benefit payment option at retirement. If a member selects multiple beneficiaries, including a spouse and a non-spouse with an adjusted age difference of 11 years or more, they can only select the eligible Joint and Survivor options that applies to all designated beneficiaries.

- **Option 1:** *This option may only be selected if the member has designated a spouse as their sole beneficiary or if the adjusted age difference between the member and any non-spouse beneficiary is less than 11 years.* This option reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the member's beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime. If a member has designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. If any or all beneficiaries pass away before the member, the member's benefit amount will remain the same.
- **Option 2:** *This option is available for any designated beneficiary(s) regardless of relationship and age difference to the member.* This option reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime. If a member has designated more than one beneficiary, the 50% amount benefit will be divided equally between the beneficiaries. If any or all beneficiaries pass away before the member, the member's benefit amount will remain the same

- **Option 3:** *This option may only be selected if the member has designated a spouse as their sole beneficiary or if the adjusted age difference between the member and any non-spouse beneficiary is less than 11 years.* This option reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive the same benefit amount as the member for the remainder of the beneficiary's lifetime. If a member has designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. In the event the beneficiary passes away before the member, the member's benefit will increase to the member's maximum benefit under the single life annuity option. If multiple beneficiaries have been designated, the portion designated for the beneficiary that dies before you will revert to the amount you would have received under the regular plan.
- **Option 4:** *This option is available for any designated beneficiary(s) regardless of relationship and age difference to the member.* This option reduces the member's maximum retirement benefit based on the dates of birth of the member and his or her beneficiary(s). In the event the member passes away, the beneficiary(s) will receive 50% of the member's benefit for the remainder of the beneficiary's lifetime. If you have designated more than one beneficiary, the benefit will be divided equally between the beneficiaries. In the event the beneficiary passes away before the member, the member's benefit will increase to the member's maximum benefit under the single life annuity option. If multiple beneficiaries have been designated, the portion designated for the beneficiary that dies before you will revert to the amount you would have received under the regular plan.

What TCRS Will Do Following your Death After Retirement

When TCRS is notified of a retired member's death, TCRS will review the member's record to determine what survivor benefits, if any, may be payable. TCRS will issue a notification to your named beneficiary requesting a death certificate, and if benefits are due, a payment form for the beneficiary to complete. After receipt of the death certificate, TCRS will either begin payments to the eligible beneficiary(s) once paperwork is complete; or, if no survivor benefits are due, will issue a notification to the named beneficiary(s).

Important Notes for Selecting a Beneficiary

- At all times, you need to have a named beneficiary on file with TCRS. Make sure you have designated a beneficiary with TCRS as soon as you become a member, and review your beneficiary designation on a regular basis to update for any family changes. If you have not made an election, your estate will be named as the beneficiary.
- Situations such as birth of a child, marriage, divorce, remarriage, or death do not automatically change a designated beneficiary. Your beneficiary designation on file with TCRS will supersede any other document, including a will, for receipt of any benefits due from TCRS upon your death.
 - As an active employee, you may change your TCRS beneficiary at any time prior to retirement by using the Member Self-Service online portal at www.MyTCRS.com or by submitting a Change of Beneficiary form to TCRS. Please note that the member must designate a beneficiary for both the TCRS benefit and any deferred compensation accounts (401(k) and/or 457) separately.
 - A retired member who selected either the Member Only Option or Social Security Leveling Option, may change a beneficiary at any time.
 - A retired member who selected a Joint and Survivor Plan may make a one-time beneficiary change election for any reason, except where restricted by a marital dissolution agreement or divorce decree. If the beneficiary change selection is received by TCRS within 60 days of the date of retirement or notice of retirement letter, whichever is dated later, the request can be processed for a recalculation of retirement benefit. If the request is received more than 60 days after the date of retirement or notice of retirement letter, whichever is dated later, the benefit will not change. Any new beneficiary will only be entitled to the last benefit payable in the month of the retiree's death and to any accumulated contributions remaining in the retiree's account at the time of the retiree's death.

- Whether or not a member has attained early or service retirement eligibility at the time of death may impact available benefits to beneficiaries. Early and Service Retirement requirements can differ by type of plan membership and employer.
- For survivor benefits after retirement, the age of the beneficiary may impact the benefit amounts for both the member and the surviving beneficiary. Before selecting an option at retirement, reach out to a retirement counselor to request an estimate. Requesting an estimate does not designate a beneficiary, and it is not a guarantee of benefits.
- Certain survivor benefits are only available for political subdivision employees whose employer has elected to offer them.

For Questions or to Report a Death
Call (800) 922-7772 Monday through Friday 8:00 a.m. to 7:00 p.m. CT