

# Let's Talk About **PSERS Death Benefits**



Publication  
#9520

Issued  
March 2025

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*This pamphlet provides a general description of the taxation methods in effect at the time of publication. For tax regulations specific to your date of retirement, you should obtain Internal Revenue Service (IRS) Publication 575 Pension and Annuity Income (including Simplified Method ) or Publication 939 General Rule for Pensions and Annuities. IRS publications are available on the IRS website at [irs.gov](https://www.irs.gov) or by contacting the IRS at 800.829.3676. PSERS cannot provide individual tax advice. For tax guidance and advice, you should consult with a tax professional.*

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# Glossary of Terms

**Active Member** – A public school employee who has met the eligibility requirements for membership and for whom pickup contributions are being made to PSERS, or is on leave without pay.

**Beneficiary** – The person or persons last designated in writing to PSERS by a member to receive his or her accumulated deductions or a lump sum benefit upon the death of such member.

**Benefit Effective Date** – The date your PSERS monthly benefit begins.

**Death Benefit** – The benefit awarded to beneficiaries or survivor annuitant in the event of a member's death.

**Defined Benefit (DB) Plan** – In the DB Plan, the retirement benefit is based on a formula. The formula used by PSERS includes a pension multiplier, your credited years of service, and your final average salary. Class T-C, Class T-D, Class T-E, and Class T-F are defined benefit only plans. Class T-G and Class T-H have a retirement benefit based on a formula and a separate benefit based on DC contributions and investment earnings, if any.

**Defined Contribution (DC) Plan** – In the DC Plan, the retirement benefit is based on the amount of contributions in your account and the investment options you choose and their investment performance. Your DC contributions and earnings, if any, are available for you to withdraw when you terminate your employment or retire. Class DC is a defined contribution only plan. Class T-G and Class T-H have a retirement benefit based on a formula and a separate benefit based on DC contributions and investment earnings, if any.

**Dollar Annuity Value** – A factor provided by the PSERS actuary used to calculate the value of a series of future periodic benefit payments to a member, based partly on the age of the member. It is also based on the concept of time value of money and the idea that an amount received today is worth more than the same amount received at a future date.

**Health Options Program (HOP)** – The PSERS-sponsored group health insurance available to eligible retirees and their dependents.

**Premium Assistance** A tax-free benefit provided by PSERS to help eligible retirees pay for health coverage through HOP or a Commonwealth public school employer or district health plan.

**Present Value** – The total value of a member's retirement account used to fund monthly benefit payments over the member's lifetime, or the amount paid to a beneficiary when a vested member dies in service.

**Survivor Annuitant** – The person designated by a retired member of PSERS who chooses a retirement Option 2, Option 3, or Customized Option that specifies a survivor annuitant to receive a lifetime benefit after the member's death.

**Vested Amount (DC Plan)** – The vested amount in the DC Plan is the amount you are eligible to receive after terminating employment.

**Vesting Requirements** – The length of service required to be eligible for a retirement benefit. Different membership classes have different eligibility requirements for vesting. Refer to PSERS website.

# What is a Death Benefit?

A death benefit is the amount payable to beneficiary(ies) in the event of the member's death. A death benefit is not guaranteed.

## Death Benefits During Employment

### Value of Death Benefit

The estimated value of your death benefit is noted on your *Statement of Account*. Before a death benefit is issued, PSERS deducts from your account any remaining debts.

If you are Class T-C, Class T-D, Class T-E, or Class T-F member and you have not vested, your death benefit equals your total contributions and interest. If you are a Class T-G or Class T-H member and you are not vested in your PSERS Defined Benefit (DB) Plan, your death benefit equals your total contributions and interest to the DB Plan plus the vested amount in your PSERS Defined Contribution (DC) account. If you are a Class DC member, your death benefit is the vested amount in your DC account. For more information on vesting, refer to the Active Member Handbook on our website.

PSERS Third Party Administrator (TPA) Voya Financial® will contact your DC beneficiary(ies) if there is an amount payable in your DC account.

If you are vested, your death benefit is calculated as follows:

Multiplier based on Membership Class

- X Final Average Salary
- X Credited Service
- X Early Retirement Factor (*if applicable*)
- X Dollar Annuity Value (*based on age at death*)
- + Vested amount in Defined Contribution Account (*if applicable*)

= **Death Benefit Value**

### Membership Class Multipliers

Membership Class	Multiplier
Class T-C	2.00%
Class T-D*	2.50%
Class T-E	2.00 %
Class T-F	2.50%
Class T-G	1.25%
Class T-H	1.00%
Class DC	NA

\*Class T-D multiplier is 2.5% for school service and 2.0% for any non-school service. Non-school service consists of non-intervening military, government, out-of-state, county commissioner, county nurse, maternity, and cadet nurse corps.

# Beneficiary Information

## How and when do I name my beneficiary(ies)?

All members should name a beneficiary(ies) as soon as possible. A beneficiary is the person(s) or entity(ies) you wish to receive any available benefits upon your death. You may name one or more primary beneficiaries and one or more secondary beneficiaries. If an individual, who is a primary beneficiary, predeceases you, then their share (percentage) will be distributed proportionally among any remaining primary beneficiaries. For a secondary beneficiary to receive a benefit, all named primary beneficiaries must be deceased.

You may name or change your beneficiary nomination electronically through the Member Self-Service (MSS) Portal. You may also submit a *Nomination of Beneficiaries* (PSRS-187) form to PSERS.

If you are a Class T-G or Class T-H member, your nomination will apply to both the DB and DC components of your retirement unless you identify separate beneficiaries through the MSS Portal or on the *Nomination of Beneficiaries: Addendum for Defined Contribution (DC) Only* (PSRS-187a). Keeping your beneficiary designation complete and up to date will ensure that benefits are paid promptly and in accordance with your wishes. If a beneficiary has not been named or your primary and secondary beneficiary(ies) predecease you, your benefits will be paid to your estate.

Your PSERS retirement benefits do not include any special spousal rights or require a spousal consent/waiver.

## How can I name a minor as a beneficiary?

If your beneficiary(ies) is under 18 years of age, a guardian should be designated on the *Nomination of Beneficiaries* form for each minor named. A guardian is the person designated to handle financial affairs associated with PSERS benefits.

## Can I change my choice of beneficiary?

You may update your beneficiary information through the MSS Portal or by submitting a properly-completed *Nomination of Beneficiaries* form. Please note that your most recent properly submitted nomination of beneficiary will supersede previous nominations.

At a minimum, you should review your beneficiary information if:

- You marry or divorce.
- One of your beneficiaries changes his or her name or address.
- One of your beneficiaries reaches age 18.
- You have a child or adopt a child.
- One of your beneficiaries dies.

# After Member's Death

## What does my beneficiary or estate representative need to do in the event of my death?

In the event of your death, your beneficiary(ies) or estate representative will need to:

1. Contact your current Pennsylvania public school employer.
2. Send PSERS a copy of the death certificate. The death certificate should be mailed or faxed to:

PSERS

5 N 5th Street

Harrisburg PA 17101-1905

Fax: 717.772.3860

## Does my DB account accrue interest after my death?

No. Interest ceases to accrue upon your death.

## Does the value of my DC account change after my death?

Yes. The value of your DC account will continue to fluctuate with the market and fees until it is withdrawn.

# Payment of DB Death Benefit

## What payment options are available to my beneficiary(ies)?

### Death Benefits for Non-Vested Members

A refund of your contributions and interest will be paid in a lump sum to your designated beneficiary(ies). The payment can be made as a lump sum directly to the beneficiary(ies) minus 20% federal withholding tax, rolled over to a qualified retirement plan, or a combination of the two options.

### Death Benefits for Vested Members

If you are vested, your designated beneficiary(ies) will be eligible for the present value (see glossary) of your retirement account. If the death benefit is less than \$10,000, payment will be made in a lump sum. The payment can be made as a lump sum directly to the beneficiary(ies) minus 20% federal withholding tax, rolled over to a qualified retirement plan, or a combination of the two options.

## Death Benefit Payment Options

If the death benefit is less than \$10,000, payment will be made in a lump sum. The payment can be made as a lump sum directly to the beneficiary(ies) minus 20% federal withholding tax, rolled over to a qualified retirement plan, or a combination of the two options.

If the death benefit is \$10,000 or greater, there are three different payment plans available to your beneficiary(ies):

**Plan 1 — Lump-Sum Payments Only:** If your beneficiary(ies) elects this plan, they will receive the amount of the death benefit in a lump-sum payment. The payment can be made as a lump sum directly to the beneficiary(ies) minus 20% federal withholding tax, rolled over to a qualified retirement plan, or a combination of the two options. There are no monthly benefits.

**Plan 2 — Monthly Benefit Payment Only:** Your beneficiary(ies) has three options under this Plan.

**Option A** — Your beneficiary(ies) will receive the highest monthly benefit for life. Payments cease upon your beneficiary's death.

**Option B** — Your beneficiary(ies) is guaranteed to receive a reduced monthly payment for 60 months. The monthly payments will continue throughout the beneficiary's lifetime. If your beneficiary(ies) dies before receiving the 60 payments, then the person named as their beneficiary will receive the remainder of the 60 payments in one lump sum. If your beneficiary(ies) dies after receiving the 60 payments, then no further payments are made.

**Option C** — Your beneficiary(ies) is guaranteed to receive a reduced monthly payment for 120 months. The monthly payments will continue throughout the beneficiary's lifetime. If your beneficiary(ies) dies before receiving the 120 payments, then the person named as their beneficiary will receive the remainder of the 120 payments in one lump sum. If your beneficiary(ies) dies after receiving the 120 payments, then no further payments are made.



**Plan 3 — Partial Lump-Sum Payment + Monthly Benefit Payment:** Your beneficiary(ies) is permitted to receive a partial lump-sum payment and monthly payment Option A, B, or C under Plan 2. *A minimum of \$10,000 must remain in the account to be eligible to elect a monthly payment option under Plan 2.*

Your beneficiary(ies) may be subject to federal income tax. PSERS will send information to your beneficiary(ies) explaining tax responsibilities and the payment options.

### **How long will it take PSERS to pay my death benefit to my beneficiary(ies)?**

After receiving a copy of the death certificate, PSERS will contact your most-recent employer to request final salary and service information.

Upon receipt of this information, PSERS will provide the beneficiary(ies) on record with the estimated death benefit and other important documents needed to pay your death benefit. At this point, your beneficiary(ies) must elect a payment plan and complete the necessary documents. Once PSERS receives the properly-completed forms from the beneficiary(ies) and final information from the employer, payment will be made within 60 days.

## **Payment of DC Death Benefits**

PSERS will notify Voya after receiving a death certificate for a participant in PSERS DC Plan. If a DC death benefit is payable from your DC account, Voya will contact your beneficiary(ies) with additional information.

**If the vested balance of the account is greater than \$5,000**, the DC beneficiary(ies) may take a lump sum distribution, roll over the balance to another qualified plan or IRA or maintain an account with the DC Plan.

**If the vested balance of the account is equal to or less than \$5,000**, the DC beneficiary(ies) may take a lump sum distribution or roll over the balance to another qualified plan or IRA. If the beneficiary(ies) does not elect a distribution method within the provided time frame, the death benefit will automatically be rolled over to a Voya IRA in the beneficiary's name.

# Death Benefits After Retirement

## What is the value of my DB death benefit?

The value of your death benefit is determined by the option you selected at retirement. Before a death benefit is issued, PSERS deducts any debts remaining from your account.

When you retired, your options were as follows:

**Maximum Single Life Annuity (MSLA)** – The maximum single life annuity provides the highest benefit amount for your lifetime. If at the time of your death you have not received an amount equal to your contributions and interest, the balance will be paid to your beneficiary(ies).

**Option 1** – Your monthly benefit is reduced to provide for a death benefit. If at the time of your death you have not received monthly benefits in an amount equal to your account's present value established at the time of retirement, then the balance is paid to your beneficiary(ies).

**Option 2** – Your monthly benefit is reduced based on your age and the age of your survivor annuitant at retirement. At the time of your death, the same monthly benefit is paid to your survivor annuitant throughout their lifetime.

**Option 3** – Your monthly benefit is reduced based on your age and the age of your survivor annuitant at retirement. At the time of your death, one-half of your monthly benefit is paid to your survivor annuitant throughout their lifetime.

**Customized Option** – Your monthly benefit and the value of your death benefit are based on a plan of your own actuarially equivalent design other than those listed above. PSERS must approve this plan.

**Remember, if you withdraw your contributions and interest and elect MSLA, there will be no balance due to your beneficiary(ies).**

### Is my beneficiary or survivor annuitant eligible to receive COLA's?

If you are a member who has received a COLA and you elected a retirement option providing for a survivor annuitant (excluding the Customized Option designed for a specific amount), your survivor annuitant will receive the appropriate percentage increase of your monthly benefit awarded by the COLA. Historically, COLA's enacted after the death of the member are not payable to the survivor annuitant.

### What is the value of my DC death benefit, if any?

If you are a Class T-G, Class T-H, or Class DC member, you have a DC account. As a participant in the DC Plan, the death benefit is the vested amount in your account, if any. Voya, the administrator of PSERS DC Plan, will contact your DC beneficiary(ies) if there is an amount payable.

# Beneficiary Information

## How do I name and change my beneficiary(ies) or survivor annuitant?

Your beneficiary(ies) or survivor annuitant is the person(s) you wish to receive your retirement benefits upon your death. The rules for naming or changing a beneficiary(ies) or a survivor annuitant are dependent on the retirement option you selected during the retirement process.

Below are the rules based upon your original retirement option selection:

**MSLA and Option 1** – You may name one or more primary beneficiaries and one or more secondary beneficiaries. You may change your beneficiary(ies) at any time.

**Option 2 and Option 3** – You may name only one survivor annuitant. If your designated survivor annuitant dies before you, or if you divorce or marry after electing one of these options, you may name a new survivor annuitant or beneficiary(ies) and/or elect a different option. Your monthly benefit will be recalculated based on the current value of your account, your new survivor annuitant's age, and your age at the time of the change. It is likely that your monthly benefit will be reduced in such a recalculation. Contact PSERS for an estimate before making your change.

**Customized Option** – Changing your beneficiary(ies) or survivor annuitant under the Customized Option is determined by the terms you defined in the option. Contact PSERS for more information.

## Death After Submitting a Retirement Application

If you die after submitting a retirement application for your DB benefit but prior to your Benefit Effective Date, PSERS will pay your death benefits according to the beneficiary(ies) named in the submitted retirement application. If there is no validly-named beneficiary(ies) on the submitted retirement application or your beneficiary(ies) predeceases you, your death benefit will be paid to your last named beneficiary(ies) on file with PSERS or to your estate if none are named.

If you have both a DB and DC component (Class T-G and Class T-H members) to your retirement, the beneficiaries named in your retirement application will also be used for the distribution of your DC account. Unlike some retirement programs, your PSERS pension does not include any special spousal rights or require a spousal consent/waiver. PSERS is legally required to honor the last properly-submitted beneficiary nomination in our possession.

If you do not keep your beneficiary nominations current, your death benefits may be paid to someone whom you would no longer select.

# After Member's Death

## What does my beneficiary(ies) or estate representative need to do in the event of my death?

In the event of your death, your beneficiary(ies) or estate representative will need to:

1. Notify PSERS by calling PSERS' toll-free phone number at 1.888.773.7748 or emailing to [ContactPSERS@pa.gov](mailto:ContactPSERS@pa.gov). PSERS will need:
  - The member's full name and PSERS ID or last four digits of the Social Security number.
  - The date of death.
  - A contact person in the event more information or documentation is needed.
  - The contact's name, address, and telephone number.

2. Send PSERS a copy of the death certificate.

The death certificate should be mailed or faxed to:

PSERS  
5 N 5th Street  
Harrisburg, PA 17101-1905  
Fax: 717.772.3860

## Payment of DB Death Benefit

### If a death benefit is payable, how long will it take PSERS to pay my death benefit?

After PSERS receives a copy of the death certificate, we will write to the survivor annuitant, beneficiary(ies), or contact person on file to assist PSERS in obtaining all documents needed to process the death benefit.

Upon receipt of all properly completed documents, PSERS will pay the death benefit within 60 days in accordance with the payment option you selected at retirement. (See "Value of Death Benefit" on page 1.)

# Payment of DC Death Benefit

## What payment options are available to my beneficiary(ies)?

PSERS will notify Voya after receiving a death certificate for a participant in PSERS DC Plan. If a DC death benefit is payable from your DC account, Voya will contact your beneficiary(ies) with additional information.

Refer to “Payment of DC Death Benefit” in the “Death Benefits During Employment” section.

## Death Benefits While Receiving PSERS Disability Benefits

The value of your death benefit is determined by the option you select at retirement. If you are a vested member receiving a PSERS disability benefit, the retirement options available to you are MSLA or a survivor annuitant option (Options 2, 3, or Customized Option). If you are a Class T-E, Class T-F, Class T-G, or Class T-H member who has not yet vested with PSERS, you may only select the MSLA option. PSERS will pay your death benefit in accordance with the payment option you selected at retirement.

For more information regarding disability retirement options and death benefits when on disability, refer to the PSERS publication *Let's Talk About Disability Benefits* (Publication #9540) available on the PSERS website.

# Health Insurance

## Is my beneficiary(ies) entitled to a group health insurance plan?

Spouses and/or dependent children of a deceased retired PSERS member may be covered by the Health Options Program (HOP) under certain circumstances.

Comprehensive descriptive material is available on [hopbenefits.com](http://hopbenefits.com), or by calling the HOP Administration Unit toll-free at 1.800.773.7725.

## Is my beneficiary(ies) entitled to receive premium assistance?

No. Premium assistance is not available to surviving spouses or dependents of PSERS retirees, or other beneficiaries.

# Taxes

## What taxes will my beneficiary(ies) be responsible for after receiving my death benefit?

The death benefit paid to your beneficiary(ies) is subject to federal income tax. While we do provide tax information on our website in the *Let's Talk About Taxes* (Publication #9600) pamphlet, we are not tax experts. We strongly recommend you seek professional tax advice.

## How will my beneficiary(ies) report to the Internal Revenue Service (IRS) the death benefit received from PSERS?

By the end of each January, PSERS mails an IRS *Form 1099-R* to its retirees, beneficiaries, and survivor annuitants. This document is used to report any monies paid by PSERS.

## How will my executor obtain my 1099-R form in the event of my death?

PSERS can mail certain documents to the last known valid address of a deceased member or to the member's executor of estate. Additional copies *Form 1099-R* can be provided only to the executor of the member's estate, per IRS regulations.

The executor of your estate should complete the *Executor Request for PSERS Documents* (PSRS-1332) to obtain a deceased member's *Form 1099-R*. A copy of the Short Certificate or complete Will and Testament must be submitted with this request.

Any questions or concerns about taxes should be discussed with a tax consultant or the IRS.

# Terminated Vested Members

Terminated vested members are no longer employed by a Pennsylvania public school employer and have chosen to defer receiving their retirement benefit. Please refer to the "Death Benefits During Employment" section for more information.

# Terminated Non-Vested Members

Terminated non-vested members are no longer employed by a Pennsylvania public school employer and only qualify for a refund of contributions and interest. Please refer to the "Death Benefits During Employment" section for more information.

# Contacting PSERS



## **Website** *pa.gov/PSERS*

Register for PSERS' Member Self-Service (MSS) Portal to access your retirement account online, anytime!



## **Call or Fax**

**Mon-Fri:** 8AM-5PM

**Toll-Free:** 1.888.773.7748

**Local Calls:** 717.787.8540

**Fax:** 717.772.3860



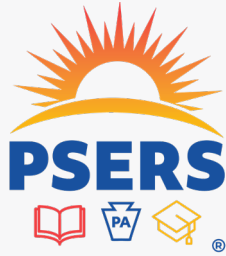
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Don't have an MSS Account? Complete the Contact Form on our website.



## **Harrisburg Headquarters**

PSERS  
5 N 5th Street  
Harrisburg PA 17101-1905



## CONTACT



[pa.gov/PSERS](https://pa.gov/PSERS)



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