



Montana Teachers' Retirement System FACT SHEET: Designation of and Payment to Joint Annuitants and Beneficiaries of Retired Members

All TRS retirement allowances pay a monthly retirement benefit for the lifetime of the retiree. However, when a retiree dies, the amounts that remain payable to a joint annuitant or to the retiree's surviving beneficiary(ies) will depend upon the retirement allowance elected by the member at the time of retirement and the course of benefit payments made by TRS prior to the retiree's death.

This Fact Sheet describes when and how TRS retired members may change their beneficiary designations or joint annuitant. It also explains the amounts that may remain payable after the retiree's death under each type of retirement allowance and how those payments will be made as determined by application of TRS law.

Important note: The term "beneficiary" as used in this Fact Sheet does not include a joint annuitant.

If you are receiving a Joint and Survivor Annuity Retirement Allowance (Option A, B, or C)

When you elected this allowance at retirement, you designated a specific individual as your joint annuitant. Following your death, a monthly benefit will remain payable for the lifetime of your joint annuitant.

You may not designate any other beneficiary, nor may you remove or change your joint annuitant by submitting a beneficiary designation form to TRS. (*Note:* Your benefit election and your designation of a joint annuitant are irrevocable, *unless* your original joint annuitant dies or you and your joint annuitant divorce. In either case, you must notify TRS immediately to determine and preserve any rights you have to convert to a Normal Form retirement allowance or to elect a new Joint and Survivor Annuity retirement allowance and designate a new joint annuitant.)

Following your death, TRS will pay your surviving joint annuitant:

- A one-time \$500.00 death benefit, and
- A monthly retirement allowance for your joint annuitant's lifetime. The monthly amount is based on the Joint and Survivor Annuity option that you elected at retirement.

What happens if your joint annuitant dies?

- If your designated joint annuitant does not survive you, TRS will pay the one-time \$500.00 death benefit, as well as a refund of your member account balance¹ (if any), in a lump sum to your eligible beneficiary² or in equal shares to multiple eligible beneficiaries.
- If your designated joint annuitant begins receiving monthly benefit payments after your death but dies while there is still a member account balance remaining, TRS will refund the balance in a lump sum to your deceased joint annuitant's alternate beneficiary.³

If you are receiving a Normal Form Retirement Allowance

When you elected this allowance at retirement, you designated at least one primary beneficiary⁴ and may also have designated additional primary or contingent beneficiaries.⁵ You may change your beneficiary designations at any time, subject to the requirements and limitations described in this Fact Sheet.

¹ **Account balance** means the sum of member contributions and interest at the time of retirement, minus any amounts deducted for correction of errors and the aggregate amount of all benefits paid.

² **Eligible beneficiary** is defined in the *Requirements and Limitations* section of this Fact Sheet.

³ **Alternate beneficiary** is defined under "Priority of Payment" in the *Requirements and Limitations* section of this Fact Sheet.

⁴ A **primary beneficiary** has a first right to receive payment in the event of the retiree's death.

⁵ A **contingent beneficiary** has a right to receive a payment *only* if no primary beneficiary has survived the retiree.

Under the Normal Form allowance, **no** monthly benefit remains payable following your death, but TRS will pay:

- A one-time \$500.00 death benefit, and
- A refund of your member account balance, if any.

The amount payable will be paid in a lump sum to your eligible beneficiary. If you have multiple eligible beneficiaries, TRS will divide the amount payable equally among them.

If you are receiving a 10- or 20-Year Period Certain and Life Retirement Allowance

When you elected this allowance at retirement, you designated at least one primary beneficiary and may also have designated additional primary or contingent beneficiaries. You may change your beneficiary designations at any time, subject to the requirements and limitations described in this Fact Sheet.

Following your death, TRS will pay your eligible beneficiary:

- A one-time \$500.00 death benefit, and
- A monthly benefit, *only* if you die before you have received a monthly benefit for the 10- or 20-year period certain. The amounts payable will be paid as follows.
 - If your eligible beneficiary is an **individual**: TRS will pay a monthly benefit for the remainder of the period certain. If you have multiple individual beneficiaries, TRS will divide the monthly benefit equally among them. If one of the multiple individual beneficiaries then passes away, TRS will redirect that individual's portion of the benefit to the surviving beneficiaries. If all beneficiaries die before the end of the period certain, TRS will make a lump-sum payment to the alternate beneficiary of the last living eligible beneficiary in the amount determined by the retirement system to be the actuarial present value of benefits payable for remainder of the period certain.
 - If your eligible beneficiary is an **estate** or **trust**: Rather than a monthly payment, TRS will make a lump-sum distribution of the amount determined by the retirement system to be the actuarial present value of benefits payable for remainder of the period certain.

Important note. All months for which a benefit has been paid to you will count against the period certain, regardless of the number of calendar months *in which* TRS has made payment to you.

Example. You are eligible for retirement effective July 1 but your retirement application materials are not completed and verified until the following January. TRS issues your first monthly benefit payment at the end of January, and that payment includes retroactive benefits for the previous six months. All seven months of benefits count against the 10- or 20-year period certain.

REQUIREMENTS and LIMITATIONS

Changing your beneficiary designations

If you are receiving a TRS retirement allowance that permits you to change your beneficiary designations as described above, you may contact TRS to request the appropriate beneficiary designation form.

You may designate an **individual** (a human being), your **estate**, or your **trust** as your beneficiary, subject to the following requirements:

- An individual must have a Social Security number assigned to be designated as your beneficiary. You must provide on the beneficiary designation form the individual's SSN, full legal name, date of birth, gender, and relationship to you.

- If you designate your trust as your beneficiary, you must submit appropriate legal documentation with your beneficiary designation form showing that the trust legally exists, that it was created by you as the trustor or grantor, and that it is irrevocable or will become irrevocable upon your death.
- If you designate either your estate or your trust as your primary beneficiary, you may not designate any other beneficiary. If you designate your estate or your trust as your contingent beneficiary, you may not designate any other contingent beneficiary.

See *Eligible Beneficiaries*, below, for a list of criteria TRS will apply in determining which beneficiary/ies will be eligible to receive payment following your death.

Designating a minor child as a beneficiary

You may designate *any* minor child as your beneficiary. However, TRS is prohibited by law from making payment of any amount *directly* to a minor child. (Under Montana law, “minor child” for this purpose means any child under the age of 21.) TRS will make payment only to an individual legally authorized to receive the funds on behalf of the minor child by virtue of:

- court appointment as the child’s conservator or guardian, or
- designation by the TRS member as a custodian for the minor child in conformity with the Montana Uniform Transfers to Minors Act.⁶

This means that if you designate a minor child as your beneficiary, you should also designate a custodian. If you should pass away before the child reaches the age of 21 and you did not designate a custodian, and there is no court-appointed conservator or guardian, TRS will be unable to make payment, even to the custodial parent. TRS will be required to withhold payment until a conservator or guardian is appointed or until the child turns 21.

Removing your spouse as a beneficiary

You are not required to designate your spouse as your beneficiary; however, if you do, you must meet additional requirements to change your spouse/beneficiary designation. If you submit a new beneficiary designation that either removes your spouse as your beneficiary or names another beneficiary to receive a share of any benefits that might have become payable to your spouse, TRS will require you to certify your marital status.

If a divorce is pending, Montana law prohibits you from revoking or reducing your spouse’s beneficiary interest (i.e., his or her right to receive payment as your beneficiary) *unless*:

- A court order authorizes you to do so, pending the final divorce decree, or
- Your spouse waives his or her beneficiary interest in writing.

If your divorce is pending, TRS requires that you submit either a court order signed by the judge in your divorce action or a *Spouse’s Voluntary Waiver of Beneficiary Interest* form (provided by TRS) signed by the spouse beneficiary in front of a notary public. TRS must receive and verify the appropriate documentation before your new beneficiary designation can take effect.

Please note: Submitting a beneficiary designation form to TRS has no effect on your own or your ex-spouse’s rights under the terms of a Family Law Order (FLO).

Eligible beneficiaries

An **eligible beneficiary** is a designated *or* alternate beneficiary entitled to receive all or a share of amounts payable by TRS following your death as a retired member.

⁶ “MUTMA,” Title 72, Ch. 26, MCA

An eligible beneficiary may be an individual (a human being), your estate, or your trust. TRS will apply the following criteria to determine whether a beneficiary is eligible.

Your *individual* beneficiary is eligible if, at the time payment is to be made by TRS, the individual:

- a) Is still living; and
- b) has a Social Security number assigned.

Your *estate* is an eligible beneficiary if, at the time payment is to be made by TRS, the estate:

- a) is in formal or informal probate in a court of competent jurisdiction;
- b) has a court-appointed personal representative; and
- c) has an assigned tax identification number (not your SSN).

Your *trust* is an eligible beneficiary if, at the time payment is to be made by TRS, the trust:

- a) legally exists;
- b) was created by you as its trustor/grantor;
- c) Has a named co-trustee or successor trustee other than yourself;
- d) Is irrevocable; and
- e) Has an assigned tax identification number (not your SSN or another individual's SSN).

Priority of payment

An amount payable by TRS following your death is payable, first, to your joint annuitant (if applicable) or to your eligible *designated* beneficiary/ies. It is important to remember that your surviving contingent beneficiaries have a right to receive payment *only* if no primary beneficiary survives you. If no joint annuitant or eligible designated beneficiary exists at the time payment is to be made, TRS will issue payment instead to your eligible *alternate* beneficiary, which is:

- a) Probated estate (either formal or informal), or if there is no probated estate,
- b) One or more individuals, in the following order of priority. (*Note: Payment will be made at a lower level of priority only if there is no surviving alternate beneficiary at a higher level of priority.*)
 - 1. Legal spouse
 - 2. Natural or adopted children, in equal shares
 - 3. Parents, in equal shares
 - 4. Grandchildren, in equal shares
 - 5. Siblings, in equal shares
 - 6. Nieces/nephews, in equal shares

Questions?

If you have questions about any information presented in this Fact Sheet, please contact us.

Montana Teachers' Retirement System ♦ 406-444-3134 ♦ 866-600-4045 ♦ trs.mt.gov

***Please Note:** This Fact Sheet is intended to provide a concise, easy-to-understand summary of TRS law and policy. The actual application of TRS law will depend upon the specific circumstances and facts presented. In determining the rights and obligations of any person, TRS law will supersede any contradictory information provided in this Fact Sheet.*