



## What if You Die While Employed



### What if You Die While Employed?

#### Welcome

- » About today's topic
- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

### What if You Die While Employed?

#### Your ProFeds Presenter



#### Chris Kowalik

- » ProFeds Founder
- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



#### Support Team

- » Standing by for your questions

### What if You Die While Employed?

**What if You Die  
While Employed?**  
**What happens when the  
unexpected happens**

## Agenda

- » **PENSION:** Who can be protected to receive your pension and what eligibility requirements must be met
- » **LUMP-SUM:** Which benefits are paid out lump-sum and how they are calculated
- » **ACTION STEPS:** What to do now to prepare your family if this happens to you

## What this webinar will NOT cover

## What this Webinar Will NOT Cover

- » If you retire and then die
- » If you die “on the job” or “in the line of duty”
- » Tax advice (just tax awareness)
- » All the nooks and crannies of all of the exceptions


## Outline of Benefits to Cover Today

- » If you die while employed, what happens to:
  - Your last paycheck
  - Your annual leave balance
  - Your CSRS/FERS pension
- » Are there any special payments to:
  - Your spouse
  - Your children

# UNPAID COMPENSATION

## Unpaid Compensation

- » Your final paycheck and the value of your unused annual leave balance will be paid to your designated beneficiary
- » You can designate that beneficiary (or beneficiaries) on this form:

 Unpaid Compensation Designation  
**SF-1152 (for CSRS & FERS)**

# YOUR CSRS/FERS FEDERAL PENSION

## Retirement Contributions

- » While you were working, you contribute to either CSRS or FERS
  - The amount you are required to contribute varies (see table to right)
  - These contributions are separate from what you may choose to put into TSP

Retirement Contributions	
System	Amount
CSRS	7.0%*
CSRS Offset	0.8%*
FERS	0.8%*
FERS-FRAE (hired/rehired in 2013)	3.1%*
FERS-RAE (hired/rehired in 2014+)	4.4%*

\* Law Enforcement Officers, Firefighters and Air Traffic Controllers contribute an extra 0.5% on top of the figures above

#### What if You Die While Employed?

### Retirement Contributions

- » When you retire, those contributions (along your agency's contributions and interest) will be used to fund the lifetime pension you receive under CSRS or FERS
- » But what happens if you were to die before having a chance to draw that pension?
- » To know that, we have to define a few things first...

#### What if You Die While Employed?

### Definition of 'Married'

- » Married at the time of death and:
  - had been married for at least 9 months, OR
  - there was a child born of the marriage, OR
  - the employee's death was accidental
- » Common Law
  - OPM recognizes common-law marriages for employees residing in common-law states

#### What if You Die While Employed?

### Former Spouses with a Court Order

- » Court Orders
  - A **former** spouse may be awarded certain benefits by court order
  - A **former** spouse can lose entitlement to court-ordered benefits due to:
    - their death, or
    - their remarriage before age 55 (unless you were married to each other for 30+ years)

#### What if You Die While Employed?

### Current Spouses

- » Qualify for benefits:
  - A **current** spouse must meet certain rules to be eligible
  - Your **current** spouse's benefits may be reduced (or eliminated) if a former spouse has a Court Order awarding them benefits
  - A **current** spouse can lose entitlement to benefits due to:
    - their death, or
    - their remarriage before age 55 (unless you were married to each other for 30+ years)

What if You Die While Employed?

**How Are Beneficiaries Determined**


- » You may designate them on specific forms, or
- » If there is no beneficiary named, this is the order:
  1. Your widow or widower, then
  2. Your child or children equally, and descendants of deceased children by representation, then
  3. Your parents equally or surviving parent, then
  4. The appointed executor of your estate, then
  5. Your next of kin entitled to your estate under the laws of the state you resided

What if You Die While Employed?

**Various Scenarios to Consider**

- » Not married at time of death (or do not meet the 'married' definition)
- » Married with less than 18 months of service
- » Married with 18 months to less than 10 years of service
- » Married with 10+ years of service

What if You Die While Employed?

The Federal Pension		
Scenario	CSRS	FERS
<b>Not married</b> (or does not meet the requirements)	<u>Beneficiary</u> receives a refund of all of the employee's CSRS or FERS contributions (plus interest) as long as there are no survivors (spouse, former spouse or child) entitled to a monthly survivor annuity	
<b>Married</b> but with <b>less than 18 months</b> of federal service	Beneficiaries are named on:  Designation of Beneficiary <b>SF-2808 (CSRS) or SF-3102 (FERS)</b>	

What if You Die While Employed?

The Federal Pension		
Scenario	CSRS	FERS
<b>Married</b> with <b>18 months to less than 10 years</b> of service	<u>Beneficiary</u> receives a refund of all of the employee's CSRS contributions (plus interest) as long as there are no survivors (spouse, former spouse or child) entitled to a monthly survivor annuity.	<u>Beneficiary</u> receives a refund of all of the employee's FERS contributions (plus interest) as long as there are no survivors (spouse, former spouse or child) entitled to a monthly survivor annuity, <b>AND</b>  <u>Spouse</u> receives the Basic Employee Death Benefit (BEDB): » Lump-sum payment of the higher of: – 50% of the high-3, OR – 50% of the final salary (basic pay), <b>AND</b> » Lump-sum payment of \$37,055*
<i>NOTE: At least 18 months must be federal service</i>		

\*This figure increases by the CPI-W (COLA) each year

### What if You Die While Employed?

#### The Federal Pension

Scenario	CSRS	FERS
<p><b>Married with 10 years+ of service</b></p> <p><i>NOTE: At least 18 months must be federal service</i></p>	<p><u>Spouse</u> receives a survivor annuity (ongoing monthly payments) equal to 55% of the pension calculated on the day the fed died (service &amp; high-3 at time of death)</p>	<p><u>Spouse</u> receives the Basic Employee Death Benefit (BEDB):</p> <ul style="list-style-type: none"> <li>» Lump-sum payment of the higher of:                             <ul style="list-style-type: none"> <li>- 50% of the high-3, OR</li> <li>- 50% of the final salary (basic pay),</li> </ul> </li> <li><b>AND</b></li> <li>» Lump-sum payment of \$37,055,*</li> <li><b>AND</b></li> <li><u>Spouse</u> receives a survivor annuity (ongoing monthly payments) equal to 50% of the pension calculated on the day the fed died (service &amp; high-3 at time of death)</li> </ul>

\*This figure increases by the CPI-W (COLA) each year

### What if You Die While Employed?

# TAX IMPLICATIONS

### What if You Die While Employed?

#### Taxes on Benefits Payable

Benefit	Receive Immediately	Other Options
Final check and annual leave	Taxable to beneficiary	N/A
CSRS/FERS contributions (refund of employee's share)	Tax-free to beneficiary	N/A
CSRS/FERS contributions (refund of accrued interest)	Taxable to beneficiary	N/A
Basic Employee Death Benefit (BEDB)	Taxable to spouse	Can spread out over 36 months or roll over into an IRA
Survivor Annuity (monthly payments)	Taxable to spouse (small part tax-free)	N/A

### What if You Die While Employed?

# CASE STUDY

## What if You Die While Employed?

### Case Study

- » FERS employee at age 50
  - Employee type: Regular
  - Federal service: 20 years
  - Married: 15 years
  - Annual Leave: 215 hours
  - Final salary: \$104,000
  - High-3: \$102,000



## What if You Die While Employed?

### Case Study

- » Spouse would receive:
  - Last Paycheck: \$1,300 (after deductions) **TAXABLE**
  - Annual Leave: \$10,508 **TAXABLE**
  - Basic Employee Death Benefit (BEDB):
    - Lump-sum: \$37,055 **TAXABLE**
    - Half of salary (\$104,000): \$52,000 **TAXABLE**
  - Survivor Benefit
    - Monthly pension: \$1,700/mo (\$20,400/yr) **TAXABLE**

## What if You Die While Employed?

# CHILDREN'S SURVIVOR BENEFITS

## What if You Die While Employed?

### Children's Survivor Benefits

- » Children receive survivor benefits at no cost
  - unmarried, dependent child
  - under age 18 (or 22 if a full-time student)
  - beyond age 22 if disabled prior to age 18
- » Children receive the same survivor benefits regardless if the federal parent is still employed or retired, or if the parent is under CSRS or FERS

## What if You Die While Employed?

### Children's Survivor Benefits

#### Children's Survivor Benefits (for 2022)

If one living parent (who is married to the deceased)	If no living parent (or a living parent never married to the deceased)
» \$587 per month (up to 3 children), or » \$1,759 per month (3+ children)	» \$702 per month (up to 3 children), or » \$2,106 per month (3+ children)

- » Coordination with Social Security
  - this benefit will be reduced (\$1 for \$1) by any Social Security benefits that the child receives

## What if You Die While Employed?

# WRAP-UP & NEXT STEPS

## What if You Die While Employed?

### Wrap-Up

- » Update your beneficiaries
  - Download forms: [FedImpact.com/beneficiaries](https://FedImpact.com/beneficiaries)
  - Save copies of confirmation receipts and all related correspondence from HR or OPM, and ensure you see the update in your eOPF to know that it was processed
  - Keep a copy of completed forms and correspondence in a safe place where your family knows to look
- » Have your spouse and/or kids watch this webinar!

## What if You Die While Employed?

### Get the Rest of the Story

CSRS & FERS Pensions • FLT/CP • TSP  
Survivor Benefit Plan • Social Security  
FERS Supplement • FEGLI • FEHB

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## Handouts and Replay



- » Handouts
  - Download
  - Emailed
- » Replay
  - Link will be emailed to all registered participants

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- » Next webinar topic!
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