

# **Kansas Public Employees Retirement System**

## **\$4,000 Retiree Death Benefit**

### **Funeral Establishment Designation or Assignment Policy**

The Kansas Public Employees Retirement System presents this information to assist funeral establishments in understanding the \$4,000 retiree death benefit. The Retirement System's objectives in working with funeral establishments are to ensure that designations or assignments made to such businesses are completed in accordance with Kansas law and to assist KPERS beneficiaries in accessing this benefit for funeral expenses.

#### **What is the \$4,000 retiree death benefit?**

All KPERS retirees are eligible for a one-time, taxable \$4,000 lump-sum benefit that is payable upon the retiree's death. The KPERS retiree has the option, under the law, to designate a beneficiary to receive this particular benefit. KPERS members may designate the following as beneficiaries: an individual or individuals, a trust, an estate, and/or a funeral establishment. If a KPERS member dies without naming a beneficiary, K.S.A 74-4902(7) provides that benefits are paid in the following order: spouse, dependent children, dependent parents, independent children, independent parents, and finally, the estate if there is no living spouse, children or parents.

#### **How can a funeral establishment receive the retiree death benefit?**

There are two ways a funeral establishment may receive the retiree death benefit.

1. The KPERS retiree names a funeral establishment to receive the benefit on the retiree's Designation of Beneficiary – Retired (KPERS-7/99R) form;\* or
2. The KPERS retiree names a beneficiary to receive the benefit who then chooses to assign it to the funeral establishment after the member's death.

*\*Members can make changes in their [kpers.org](http://kpers.org) accounts or complete a new Designation of Beneficiary – Retired (KPERS-7/99R) form. KPERS must have any beneficiary designations before the member's death for the change to be effective.*

#### **What basic information should a funeral establishment know about the retiree death benefit?**

- If the funeral establishment is named as beneficiary, the full \$4,000 retiree death benefit is payable directly to the funeral establishment. KPERS will send a 1099-R form to the funeral establishment the following January.
- If the funeral establishment is not designated on the member's Designation of Beneficiary – Retired (KPERS-7/99R) form, any primary beneficiary may apply for the benefit and assign his or her share to the funeral establishment, but beneficiaries are not required to assign their benefit as such. In addition, if there is more than one beneficiary, one can assign his or her share while the other(s) keep theirs. KPERS emphasizes that the assignment is voluntary and not required by Kansas law. If the beneficiary assigns his or her share to the funeral establishment, he or she is responsible for the taxes. KPERS will send the assigned portion to the funeral establishment and will automatically withhold 20% for federal taxes, and KPERS will send a 1099-R form to the beneficiary the following January.

- If the funeral establishment does not require the full \$4,000 to settle the member's account, the remainder shall be paid to the beneficiary. If no other beneficiary is named, the remainder shall be paid following the line of descendency in K.S.A. 74-4902(7).

## **What procedures should a funeral establishment follow to receive the retiree death benefit?**

KPERS recommends the following guidelines to funeral establishments to determine the retiree's beneficiary status:

1. Contact KPERS to learn if the funeral establishment was named on the member's Designation of Beneficiary – Retired (KPERS-7/99R) form.
2. Once a KPERS representative has verified the funeral establishment was so named, an application for the retiree death benefit will be mailed to the funeral establishment. A representative of the funeral establishment should complete the application and return it to KPERS with a certified copy of the death certificate.

[What to do when the funeral establishment has been named on the Designation of Beneficiary – Retired \(KPERS-7/99R\) form, but the funeral expenses have already been paid:](#)

When notified that the funeral expenses of a deceased member have already been paid, but the funeral establishment is named on the Designation of Beneficiary – Retired (KPERS-7/99R) form, KPERS will send the funeral establishment a waiver to sign and the retiree death benefit will be paid to the member's next beneficiary instead. If there are no other beneficiaries named, the benefit will be paid according to the line of descendency in K.S.A. 74-4902(7).

## **Who pays the taxes for the \$4,000 retiree death benefit?**

In general, the retiree death benefit is taxable as federal income, but not Kansas income.

[When the KPERS retiree has designated a funeral establishment on the Designation of Beneficiary – Retired \(KPERS-7/99R\) form:](#)

The funeral establishment receives the benefit and pays the taxes. KPERS will send the funeral establishment a 1099-R form the following January.

[When the beneficiary assigns the retiree death benefit to the funeral establishment:](#)

The beneficiary is responsible for the taxes. KPERS will pay the funeral establishment the beneficiary's share of the benefit but will withhold 20% for federal taxes. KPERS will send the beneficiary a 1099-R form the following January.

## **Questions?**

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