



# Death Benefits

## VRS Employer Manual

If an employee dies while actively employed in a VRS-covered position, death-in-service benefits are available to the employee's beneficiary. If a VRS member selected the Survivor Option on the retirement application and dies after retiring, the member's designated survivor receives a monthly benefit for life.

In addition to death benefits, Basic Group life insurance benefits are payable to the beneficiary of the employee's life insurance policy if the employer participates in the VRS Basic Group Life Insurance Program. Optional Group life insurance benefits are also payable if the employee purchased optional coverage. The beneficiary of the life insurance benefits may or may not be the same as the beneficiary of the employee's retirement benefits.

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## What's New?

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|-----------------|--|
| July 1, 2025    | The Employer Manual has a new style and format.                        |
| January 1, 2025 | The third-party administrator changed to Voya Financial.               |
| July 1, 2024    | Rate information changed to reflect the Hybrid Rate Separation policy. |

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# Overview

Death benefits refer only to the defined benefit component of an employee's plan. Upon an employee's death, the defined contribution component of a Hybrid member's plan is paid out according to the Beneficiary Designation, if one is on file, or according to the order of precedence.

Depending on the employee's membership status and employer, the employee may also have funds in one or more defined contribution plans (Hybrid 401(a) Cash Match Plan, Hybrid 457 Deferred Compensation Plan, Commonwealth of Virginia 457 Deferred Compensation Plan, Virginia Cash Match Plan, an Optional Retirement Plan or an employer-sponsored 403(b) plan).

## Order of precedence

- First, to the spouse of the member;
- Second, if no surviving spouse, to the children of the member and descendants of deceased children, per stirpes;<sup>1</sup>
- Third, if none of the above, to the parents of the member;
- Fourth, if none of the above, to the duly appointed executor or administrator of the estate of the member;
- Fifth, if none of the above, to other next of kin of the member entitled under the laws of the domicile of the member at the time of death.

For more information on distributions and Hybrid vesting, see the Employer Manual:

- [Membership chapter](#)
- [Distributions chapter](#)

# Death-in-Service Beneficiary Designation

An employee is not required to designate a beneficiary.<sup>2</sup> If no designation has been made, death-in-service benefits are paid by law to the person surviving at the death of the employee in the following order of precedence:<sup>3</sup>

In the order of precedence, "children" means all children except stepchildren, foster children, minors who happen to be living with the member and individuals raised by the deceased member as a "child."<sup>4</sup>

An employee who does not want retirement benefits under the defined benefit plan paid out following the order of precedence must enter the name of their beneficiary using myVRS or must request a Designation of Beneficiary form (VRS-2) from VRS.

To designate beneficiaries for funds from defined contribution plans, the employee must [log into their DCP Account](#) with Voya Financial and complete a separate Beneficiary Designation for each plan.

For each account (defined benefit, defined contribution, COV 457 plan and Virginia Cash Match Plan), the beneficiary designation applies until the employee names a new beneficiary or reverts to the order of precedence by changing it online or by submitting a new form. If an employee has more than one designation on file, the one with the most recent date is used.

If an employee has designated a primary beneficiary but the primary beneficiary dies before the employee, the defined benefit member contribution account (MCA) is paid to the contingent beneficiary. The contingent beneficiary is the individual or entity named to receive the benefit if the primary beneficiary is not living. If the employee has not named a contingent beneficiary, or if all named primary and contingent beneficiaries have predeceased the employee, benefits are paid according to the order of precedence.

<sup>1</sup> "Per stirpes" means the share will go to the beneficiary's heirs if the beneficiary is no longer alive.

<sup>2</sup> The singular "beneficiary" is used throughout this chapter; however, more than one person may receive benefits.

<sup>3</sup> See *Code of Virginia* § 51.1-511 and § 51.1-162.

<sup>4</sup> VRS will make a determination on a case-by-case basis regarding any instances that do not fall squarely within the examples set out above.

## Divorced Beneficiaries

If an employee divorced before July 1, 1993 and their former spouse is designated as their beneficiary, the former spouse is still the beneficiary when the employee dies unless the employee changes the beneficiary designation. The employee can change the beneficiary designation using myVRS or by requesting a VRS-2.

If the employee's divorce became effective on or after July 1, 1993 and the former spouse is named as the beneficiary, the designation is void and the former spouse is treated as predeceasing the employee unless:

- VRS is presented with legal documentation showing that there is a specific requirement in a divorce decree, separation agreement or Approved Domestic Relations Order (ADRO) entered by a court on or after July 1, 1993 requiring the former spouse be named for these benefits; or
- After the date of the divorce, the employee has updated their beneficiary information to name their former spouse as the beneficiary.

Under certain circumstances, a former spouse may be eligible to receive a refund of the MCA but can never be eligible to receive a monthly death-in-service benefit.

For Hybrid members, defined contributions are distributed as specified on the employee's Beneficiary Designation on file with Voya or according to the order of precedence if no designation is on file. However, if a former spouse is the designated beneficiary on file with Voya, the rules set forth above will control whether the designation is void and the former spouse should be treated as predeceasing the employee.

## Non-Work-Related Death in Service

If an active employee dies from a non-work-related cause, the beneficiary is eligible for either a refund of the MCA or a monthly benefit under the defined benefit plan, based on whether the employee was vested at the time of the death.

### Death of a Non-Vested Employee

If the employee was not vested, the employee's designated beneficiaries on file with VRS are entitled under the defined benefit plan to the portion of the MCA. If no beneficiaries are on file, then the first person qualifying under the order of precedence is entitled to a refund only. A monthly benefit is not available to beneficiaries of a non-vested employee.

Benefits from defined contribution plans are paid out according to the Beneficiary Designation on file with Voya, or according to the order of precedence if no designation is on file.



For more information, see the [Refunds chapter](#) and the [Distributions chapter](#) of the Employer Manual.

## Death of a Vested Employee

If the employee was vested and the beneficiary is the employee's spouse, minor child or parent, under the defined benefit plan, the beneficiary may choose either a monthly benefit or a refund to the exclusion of any other named beneficiary. The spouse will take precedence over a minor child and a minor child will take precedence over a parent.

If there is only one beneficiary, the monthly death-in-service benefit under the defined benefit plan enables the beneficiary to receive a monthly benefit equal to what the vested employee would have received as if:

- The retirement had been on the date of death;
- A 100% Survivor Option was selected;
- The benefit was reduced by an early retirement reduction factor (ERF), if applicable.

If there is more than one beneficiary, the total benefit is divided equally among the beneficiaries.

If the employee was vested and the beneficiary is someone other than the employee's spouse, minor child or parent, the beneficiary will receive a refund.

The employer assists the beneficiary with submitting all required paperwork to VRS. If a monthly benefit is selected, the beneficiary is added to the current monthly retirement payroll when all required paperwork is submitted and processed. If a monthly death-in-service benefit is payable from VRS under the defined benefit plan, benefit payments begin the month following the employee's date of death. Processing the first payment may take up to two months; however, the survivor will be paid retroactively for all benefits.

If the beneficiary of a monthly death-in-service benefit dies before receiving monthly benefits equal to the retirement contributions and interest credited to the employee's account, the remaining amount is paid in a lump sum to the beneficiary's estate. If both parents who are receiving a monthly survivor benefit die before the retirement contributions and interest have been paid to them as a monthly benefit, the remaining contributions and interest are payable to the estate of the last living parent.



If the employee's parents are the beneficiaries, then each parent would receive 50% of the benefit.

## Payments to Minor Children

The following conditions apply to a monthly benefit paid to a minor child under the defined benefit plan:

- A minor child must have a guardian or conservator appointed to oversee the estate of the child. If the employee died while vested, the guardian or conservator has the right to choose the type of benefit that is received on behalf of the child;
- A monthly benefit paid to a minor child ceases when the child reaches age 18;
- If more than one child receives a monthly benefit, each child receives an equal share and the benefit is based upon the age of the youngest child and the age of the employee at the time of the employee's death. When one child reaches age 18, that child's share of the benefit is equally redistributed among the remaining minor children. Monthly benefits cease entirely when all children reach age 18;
- If retirement contributions and interest remain in the MCA after all children who were receiving a monthly benefit reach age 18, a refund of the contributions and interest is divided equally among all the children who received a monthly benefit;
- A minor child beneficiary takes precedence over a parent of the employee;
- A minor child beneficiary takes precedence over an adult child beneficiary. If more than one child is designated or qualifies under the order of precedence as the beneficiary of the employee's retirement benefits, benefits are payable only to the children who are under age 18.



Susan, Joe and John are all listed as primary beneficiaries. Susan and Joe are over age 18; John is 12 years old. Because John is the only minor child, he receives the entire monthly benefit.



## Calculating the Monthly Benefit

The formula for calculating the amount of the monthly benefit under the defined benefit plan uses the average final compensation (AFC), years of service credit and a reduction factor based on the employee's age and the beneficiary's age. The monthly benefit is actuarially reduced using an ERF for an employee who is not eligible for an unreduced retirement benefit. It is then reduced using a 100% Survivor Option factor.

A Plan 1 member who dies before age 55 is presumed to be exactly age 55 on the date of death and the beneficiary's age is adjusted using the difference between the member's age at death and the beneficiary's age. If the member was 55 or older, the difference between the member's age at death and the beneficiary's age at the time of the member's death determines the Survivor Option factor that is used to calculate the death-in-service benefit.

A Plan 2 or Hybrid member who dies before age 60 is presumed to be exactly age 60 on the date of death and the beneficiary's age is adjusted using the difference between the employee's age at death and the beneficiary's age. If the member was age 60 or older, the difference between the member's age at death and the beneficiary's age at the time of the member's death determines the Survivor Option factor that is used to calculate the death-in-service benefit.

Adjusting the age upward brings the member closer to normal retirement age, which results in a higher monthly benefit for the beneficiary.



A Plan 1 member dies in service at age 37 and the member's beneficiary is age 44. The member is assumed to be age 55 on the date of death and the beneficiary is assumed to be age 62. The member had 10 years of service credit and an AFC of \$46,000 at death.

### Calculate the Monthly Benefit

<b>Step 1</b>	Determine the employee's AFC	\$41,000
	• <b>Plan 1</b> – divide the sum of the 36 consecutive months of highest creditable compensation by 3;	\$45,000
		+ <u>\$52,000</u>
	• <b>Plan 2/Hybrid</b> - divide the sum of the 60 consecutive months of highest creditable compensation by 5;	\$138,000
		÷ <u>3</u>
		\$46,000
<b>Step 2</b>	Determine the Benefit Per Year of Service (BPYS) by multiplying the employee's AFC by 0.017;	\$46,000
		x <u>0.017</u>
		\$782.00
<b>Step 3</b>	Calculate the annual unreduced benefit by multiplying the BPYS by the number of years of service credit;	\$782.00
		x <u>10</u>
		\$7,820.00
<b>Step 4</b>	Determine the monthly benefit by dividing the annual benefit by 12;	\$7,820.00
		÷ <u>12</u>
		\$651.67
<b>Step 5</b>	Determine the monthly reduced benefit by multiplying by the ERF;	\$651.67
		x <u>0.4600</u>
		\$299.77
<b>Step 6</b>	Calculate the survivor benefit by applying the appropriate survivor factor - if the employee was born before July 1, 1945, compare the factors from the long and short charts and apply the higher factor.	\$299.77
		x <u>0.791</u>
		\$237.12

## Tax Implications

Refunds under the defined benefit plan are subject to a 20% mandatory federal tax withholding and a 4% state tax withholding if the beneficiary resides in Virginia. Beneficiaries and survivors can also elect additional federal withholdings. To defer the mandatory withholding, the beneficiary may roll over a refund under certain circumstances. A beneficiary other than the surviving spouse may only do a direct rollover to an inherited IRA. A surviving spouse has the same rollover options that the employee would have had.



See the [IRS 402\(f\) – Special Tax Notice](#) for rollover rules.

## Work-Related Death in Service

A work-related cause of death is the result of an occupational illness or injury that occurs on the job and the cause is determined to be compensable under the Virginia Workers' Compensation Act.

If an employee dies from a work-related cause while actively employed, the employee's named beneficiary will be eligible for a refund under the defined benefit plan of any funds remaining in the employee's MCA. If no beneficiary designation has been made or if the death of the designated beneficiary occurs prior to the death of the employee and another designation has not been made, the retirement contributions and interest in the MCA are refunded according to the order of precedence.

The employee's spouse, minor child or parent will also be eligible for a monthly benefit. Work-related death benefits are payable for the life of the beneficiary when the beneficiary is the employee's spouse or parent. The lifetime monthly benefit continues even if the surviving spouse remarries. The monthly benefit ceases upon the death of the spouse unless the employee's surviving child has not reached 18 years of age. If the employee's surviving child has not reached 18 at the time of the spouse's death, the monthly retirement benefit is paid until the child reaches 18.

The employee's spouse, minor child or parent receives 50% of the employee's AFC if that person does not qualify for Social Security survivor benefits or 33⅓% of the employee's AFC if that person qualifies for Social Security survivor benefits. If the spouse, minor child or parent is also entitled to workers' compensation benefits, the VRS benefit is reduced by the amount of the workers' compensation award. A letter of approval or denial from the Social Security Administration (SSA) and a copy of the workers' compensation award letter are required to process VRS work-related death benefits.

Benefits from defined contribution plans are paid out according to the Beneficiary Designation on file with Voya, or according to the order of precedence if no designation is on file.

# Death of an Employee While on Leave

An employee on leave, with or without pay, is eligible for death-in-service benefits. If the employee dies while on leave with pay, including leave with partial pay, the same death-in-service benefits are available to the beneficiary that are available to beneficiaries of active employees.

If an employee dies while on leave without pay (including leave taken under the Family and Medical Leave Act), the death-in-service benefits available to the beneficiary are the same as if the employee died while in an active status. An employee who is on military leave is eligible for death-in-service benefits, even if the leave without pay period exceeds 24 months.

If an employee is on leave without pay when a creditable compensation increase would normally be effective and dies before returning to work, the death benefit is paid on the prior creditable compensation because the employee had not actually worked under the higher creditable compensation.

## Death While on VSDP or VLDP

If an employee dies while receiving either Virginia Sickness and Disability Program (VSDP) or Virginia Local Disability Program (VLDP) short-term disability or long-term disability benefits, the beneficiary remains eligible for the same death-in-service benefits that would have been available had the employee been actively working.

## Death of an Educator on Summer Break

An employee of a school division or institution of higher education who is contracted for less than 12 months remains a VRS-covered employee while on summer break. If a teacher or educator dies during the summer months when not actively at work, the beneficiary remains eligible for the same death-in-service benefits that would have been available had the employee died during the school year while actively at work and under contract.



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## Death of a Member in Deferred Status

A member who terminates VRS-covered employment and leaves the balance of the defined benefit plan MCA in the system becomes a member in deferred status. A deferred member maintains VRS membership and the member's beneficiary is eligible for certain death benefits.

A member who dies before the end of the month of termination is considered an active employee and the death-in-service provisions apply. If a deferred member dies more than 30 days after the date of termination and money remains in the defined benefit MCA, the member's beneficiary receives a refund of the account balance. If the named beneficiary has predeceased the member, a refund of the MCA is paid to the member's contingent beneficiary. If no contingent beneficiary has been named or if the contingent beneficiary has also predeceased the member, the refund is paid according to the order of precedence.

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## Health Insurance under Death in Service

If a state employee dies in service, the employee's eligible spouse and dependents may obtain coverage in the State Retiree Health Benefits Program provided they were already covered by state health insurance when the employee died. A spouse who was not already covered may still obtain coverage in the State Retiree Health Benefits Program if the employee was covered by state health insurance at the time of death and the spouse is eligible to receive a monthly benefit.

Health coverage for the deceased state employee's spouse and dependents may continue in the active group for at least 30 days after the employee's death. To continue or select health coverage, the spouse or eligible dependent must complete a [State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants](#) within 60 days of the employee's death.

# Assisting the Beneficiary with a Claim

When a VRS-covered employee dies while in service, the employer should assist the beneficiary with all aspects of the claims process:

- VRS Basic Group and Optional Group life insurance plans are issued by Minnesota Life Insurance Company, an affiliate of Securian Financial. The employer reports the death directly to Securian. Even if the employer does not participate in the VRS Group Life Insurance Program, the employer reports the death directly to Securian. This initiates both life insurance and retirement benefits.



Securian Financial, Richmond Branch Office  
P.O. Box 1193; Richmond, VA 23218-1193  
800-441-2258; [NaTosha.Palmer@securian.com](mailto:NaTosha.Palmer@securian.com)

- The employer contacts and assists the beneficiary in completing the Beneficiary Statement and Notice of Claim forms, available on [Securian's webpage for VRS](#).
- The employer instructs the beneficiary to obtain a certified copy of the public death record. For deaths that occur in Virginia, a certified copy of the public death record may be obtained from the Virginia State Office of Vital Records for a fee. Death records are available to immediate family members only.



Virginia Department of Health, Office of Vital Records  
P.O. Box 1000; Richmond, VA 23218-1000  
804-662-6200; [VDH online application](#)

- The employer provides the beneficiary with information regarding the various options for receiving death-in-service retirement benefits. (For example, the beneficiary may be able to choose between a refund of the MCA and a monthly benefit.) The brochure [Losing a Loved One: Guide for Families](#) and the Handbook for Members may be useful to the beneficiary. (Separate handbooks are available for [Plan 1 members](#), for [Plan 2 members](#) and for [Hybrid members](#).)
- The employer advises the beneficiary to contact the SSA at 800-772-1213 to determine if Social Security death benefits are payable. In addition, the employer assists the beneficiary in completing all accident reports and other forms that may be required for the Virginia Workers' Compensation Commission.
- If the employee was a Hybrid member or participated in a defined contribution plan, the employer instructs the beneficiary to contact the plan recordkeeper. In the case of state employees and employees of participating political subdivisions, the employer should contact Voya.
  - ◊ For other plans, the employer provides the contact information for the plan in which the employee participated.



Voya Financial, Attn: Virginia Retirement System  
One Orange Way, Windsor, CT 06095  
877-327-5261; [dcpersupport@voya.com](mailto:dcpersupport@voya.com)

When VRS has been notified by Securian of the employee's death, an informational letter and claim form are mailed directly to the beneficiary, along with information on the beneficiary's payment options. Once the beneficiary has selected the payment option and mailed the form back to VRS (along with any other required documentation), the beneficiary is eligible to receive the benefits.

# Death in Retirement

If a retiree chose the Survivor Option at retirement, the retiree's beneficiary (or beneficiaries) receives a monthly benefit for life upon the retiree's death. The amount of the benefit depends on the percentage the retiree selected, the retiree's age at retirement, and the beneficiary's age and relationship to the retiree. If a retiree does not select the Survivor Option and the retiree dies before receiving benefits equal to the balance of member retirement contributions and interest in the account, the beneficiary receives the remainder of the funds.

The designated beneficiary must notify Securian immediately of a retiree's death to prevent an overpayment of retirement benefits.



Securian Financial, Richmond Branch Office  
P.O. Box 1193; Richmond, VA 23218-1193  
800-441-2258; [NaTosha.Palmer@securian.com](mailto:NaTosha.Palmer@securian.com)

Securian begins processing the insurance claim and notifies VRS. The designated beneficiary must provide Securian with the retiree's full name, Social Security number, date of death, and a mailing address for the claim forms.

If the designated beneficiary is entitled to a monthly survivor benefit from VRS, benefit payments begin the month following the month the retiree received the last retirement payment. Even though placement on the VRS retirement payroll may take up to two months, the designated beneficiary will be paid retroactively for all benefits.

The beneficiary of a defined contribution plan should notify Voya immediately upon a retiree's death to discuss distribution options.



Voya Financial, Attn: Virginia Retirement System  
One Orange Way, Windsor, CT 06095  
877-327-5261; [dcpersupport@voya.com](mailto:dcpersupport@voya.com)

## Death After a Retirement Application Was Submitted

If VRS receives a service or disability application selecting the Basic Benefit, the death is processed as a death-in-service, as long as the death occurs before the effective date of retirement. However, the beneficiary of a non-vested employee is only eligible for a refund under the defined benefit plan.

If the employee selected the Survivor Option naming the spouse, minor child or parent as the survivor, and beneficiary is also the spouse, minor child, or parent, the beneficiary is eligible for either the death-in-service benefit or the Survivor Option, whichever is greater.

If the employee selected a Partial Lump-Sum Option Payment with the intent to roll over the payment, but dies before the benefit is paid, the survivor may roll over those funds on the employee's behalf.