

# ***EXPLANATION FOR PRE-RETIREMENT DEATH BENEFIT ELECTION***

It is important that you complete a Pre-Retirement Death Benefit Election Form for your potential death benefit under our "Retirement Plan". Submit your completed election form to the Personnel Office, or the office of the Plan Administrator for our Plan. Please note that the Summary Plan Description does name persons who are responsible for our Plan.

You have the right to designate one or more beneficiaries for the benefit which will be payable if you die before you begin receiving your retirement benefit. The beneficiary(ies) may be one or more individuals, a trust, or your estate. Also, there are two types of beneficiary. *Primary Beneficiaries* will first divide up the death benefit. *Secondary Beneficiaries only share in the death benefit when there are no Primary Beneficiaries available to receive the death benefit.* As example, Bob is married with 2 kids. Typically, he will list his wife as Primary Beneficiary for 100% and his children as Secondary Beneficiaries with 50% each.

If your account value exceeds \$5,000 and you are married, then our Plan will use the your total entitlement to purchase an annuity for your surviving spouse. This is sometimes called a Qualified Pre-Retirement Survivor Annuity (QPSA). The QPSA is not required if the amount of your entitlement is \$5,000 or less, or you are not married at the time of your death, or you make a valid election (see below) to have benefits paid in a different fashion. In those cases, the death benefit will generally be paid to the beneficiary(ies) you name as a single lump sum payment.

In its simplest form, an annuity is simply a stream of payments that are expected to be paid for the life of a person. To provide this stream of payments the Plan will generally purchase an annuity contract from a reputable insurer. To explain this concept let's assume that your account under our Plan was enough to purchase a contract that would have your beneficiary receive \$500 per month for life. This monthly payment would begin after your death and would continue until your beneficiary dies. This is sometimes called a "Single Life Annuity". Annuities can also be designed to have "contingent beneficiaries". This means that payments would continue to a second person for that second person's life after the first beneficiary dies, at a specified rate of the rate that was paid to the first beneficiary. For example, if a contingent rate of 50% is used, the second beneficiary would receive a payment equal to 50% the amount that was paid to the first beneficiary.

How much your beneficiary's actual monthly payment would be depends upon several factors. These factors include the "annuity purchase rate" used, the age of your beneficiary when payments begin, use of a contingent beneficiary, the amount available from your account under the Plan at the time the contract is purchased, and the time period between the time of purchase and the start of payments. To demonstrate, the following chart defines the monthly payment if your account under the Plan had exactly \$1,000 available to pay as a death benefit at time of annuity purchase, given specific ages of your beneficiary.

<u>Beneficiary Age</u>	<u>Monthly Payment</u>	<u>Beneficiary Age</u>	<u>Monthly Payment</u>
50	\$7.17	52	\$7.37
54	\$7.60	56	\$7.86
64	\$9.30	66	\$9.79

Please note that the above is a generic example, using the UP - 1984 Mortality Table with a 7% interest assumption. The contract that would be purchased for your beneficiary may use a different table (*annuity purchase rate*) that could result in a higher or lower payment. If, however, this specific table is used then we can say that if your beneficiary would receive monthly payments beginning at age 54, this person would get \$7.60 each month for the balance of his or her life, for each \$1,000 your account holds at the time the annuity contract is purchased.

In summary, an annuity is a contract that pays a defined amount (*monthly payment*) for defined period (*life of surviving spouse*). We note that the QPSA (*standard form of payment*) is a very specific annuity. It has 100% of your benefit account used to purchase a life annuity on the life of your surviving spouse.

To complete the attached election form you must (1) Print the name of your Employer, (2) Print the Name of the Plan for which this election applies, (3) Print your Name and Social Security Number, (4) Complete the section listing data for Primary Beneficiaries (% values must equal 100), (5) Complete the section listing data for Secondary Beneficiaries (% values must equal 100), (6) Complete the section where you define payment forms (be sure to include all beneficiaries you define), and (6) Sign and date as Participant.

Under federal law, if a Participant is married when he or she dies, the death benefit must be paid in full to the surviving Spouse as a lump sum (account value \$5,000 or less), or a Qualified Pre-Retirement Survivor Annuity (QPSA). If a married Participant wants to pay the benefit (*or portion thereof*) to a beneficiary other than his or her spouse, the participant's election must have the spouse's written consent. Please be advised that the preceding requirement supersedes any conditions stated in a pre-nuptial agreement or marital contract.

With the preceding in mind, if you are married and your spouse is not the sole Primary Beneficiary, then the "Consent of Spouse for Married Participant" listed on the bottom of the Form must be completed. Please note that the spousal signature must be witnessed by either a Notary Public or a Plan Representative. (Notary services are typically available at most banks.) We suggest that if married, this section should always be completed, insuring that your election is valid. Lastly, if you have a change of martial status, you should complete a new election as soon as possible.

# PRE-RETIREMENT DEATH BENEFIT ELECTION FORM

(Complete All Sections)

Name of Employer: \_\_\_\_\_

Name of Retirement Plan: \_\_\_\_\_

Name of Participant: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

## **Beneficiary Election**

Complete the chart below by identifying your **Primary Beneficiaries**, including how that person is related to you, and how any death benefit due from the plan should be divided between these beneficiaries. (Benefits paid to each person shall be based upon the value of the total benefit if paid as a single lump sum.) Please note that if any one of these people die prior to payment of the death benefit, that person's share shall be proportionally divided between the remaining Primary Beneficiaries. If more space is needed attach page labeled "Primary Beneficiary Data".

<u>Name and Address</u>	<u>Relationship</u>	<u>Percentage</u>
_____	_____	_____ %
_____	_____	_____ %

In the event that **none** of your **Primary Beneficiaries** are living at the time that the benefit is payable, **Secondary Beneficiaries** should be defined in the chart found below. If more space is needed attach page labeled "Secondary Beneficiary Data".

<u>Name and Address</u>	<u>Relationship</u>	<u>Percentage</u>
_____	_____	_____ %
_____	_____	_____ %

## **Payment Form Election**

Complete this election by selecting the payment forms you wish applied, and enter the name(s) of the beneficiary you want that form applied to on the line provided for that payment form. Please note that you must define what "Other Payment Form" means. Be advised that any payment form you define must be an optional form as permitted by Plan terms. For purposes of this election, you should carefully review your Summary Plan Description.

( ) Single Life Annuity for \_\_\_\_\_

( ) Other Payment Form of \_\_\_\_\_  
for \_\_\_\_\_

( ) Single Lump Sum Payment for \_\_\_\_\_

## **Participant Signature**

This election is made with respect to any death benefit that may be payable from the Plan in the event of my death. I understand that this election cancels any prior election which I may have made previously with respect to the death benefit. I also understand that if my entitlement does not exceed \$5,000 at the time of payment of the death benefit, such entitlement may simply be paid as a lump sum to the beneficiaries as named above.

\_\_\_\_\_  
Participant's Signature

\_\_\_\_\_  
Date

## **Consent of Spouse for a Married Participant**

I have reviewed, understand, and consent to this election made by my spouse with regard to the pre-retirement death benefit under the Plan. I understand that the Plan would normally provide me with the entire death benefit in the form of a qualified joint and survivor annuity. I fully understand how this election reduces or eliminates the benefit and/or changes the benefit form I will receive from the Plan if my spouse dies before me.

\_\_\_\_\_  
Spouse's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
NOTARY PUBLIC (With Seal) or Plan Representative

\_\_\_\_\_  
Date