The Living Needs Benefit

What is a living needs benefit?
The Benefits Plan offers terminally ill members covered under the Death and Disability Plan the option to receive a portion of the available death benefits prior to their deaths to help pay expenses during their final stage of illness.

How does it work?
Effective January 1, 1998, members with death and disability coverage who are certified by their physicians as being terminally ill (a life expectancy of 24 months or less) may elect to receive a portion of the Salary Continuation and/or Lump-Sum Death Benefits before their deaths.

Terminally ill retired members may also apply for the Living Needs Benefit. The benefit for a retired person is limited to the present value of the $9,000 minimum Salary Continuation Benefit.

You are not eligible for this benefit if:
• the terminal illness or injury is determined to be intentionally self-inflicted;
• death benefits coverage has been in effect for less than two years;
• you must by law use the benefit to meet claims of creditors or government agencies.

When you are deciding whether you should apply for this benefit option, please consider the following:
• Many government entitlement programs are based on the net worth of an individual. Receipt of the Living Needs Benefit may adversely affect your eligibility for certain government entitlements. You should consider the requirements for each entitlement carefully before applying for the Living Needs Benefit.
• The receipt of this benefit may increase the value of your estate at the time of your death and the estate tax due on your estate.

• A Living Needs Benefit is not taxable for federal income tax purposes, but may be subject to state income tax. The Board of Pensions cannot provide individual tax or financial advice to members. You should consult with a financial or tax adviser about the taxability of this benefit in your state of residence.
• You should consider your present needs and the needs of your dependents after your death. The government programs that are available to you now (for example, Social Security disability income) may not be available to your dependents after your death.
• The Board pays the Living Needs Benefit from the funds available under the Salary Continuation Benefit first. If you seek funds in excess of the Salary Continuation Benefit, the Board pays the balance from the amount available under the Lump-Sum Death Benefit. You cannot designate any other order.
• You should log on to Benefits Connect and review the beneficiary designations you have on file with the Board and determine whether you should modify them.

What is a terminal illness?
For the purposes of the Living Needs Benefit, a terminal illness means a medical condition that makes it nearly certain that, even with appropriate medical care, the member is not expected to live for more than 24 months. This definition is based on the Internal Revenue Code provisions that exclude this type of benefit from federal income tax under certain conditions.

How often can I access this benefit?
You can only receive a Living Needs Benefit one time. You must apply for both the Salary Continuation Benefit and the Lump-Sum Death Benefit at the same time.

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How much may I receive?
You may request up to:

- 100 percent of the present value of your Salary Continuation Benefit and
- 75 percent of the lesser of $100,000 or the annual Pension Participation Basis for the Lump-Sum Death Benefit that dues are being paid on.

The Board will pay the Living Needs Benefit in a lump sum based on the value or amount at the time the physician certifies that you are terminally ill.

How do I request this benefit?
If you believe that you are eligible to receive a Living Needs Benefit, you should request in writing a Living Needs Benefit kit from the Disability team at the Board of Pensions. Your request must include your signature.

The kit will show the amount you are eligible to access from both the Salary Continuation and the Lump-Sum Death Benefit and will list your currently designated beneficiary(ies).

If you want to request the Living Needs Benefit, read the kit thoroughly, consider all relevant factors, and then carefully complete the forms. Before you submit the completed request to the Board, you may want to discuss with your designated beneficiary(ies) your decision to use a portion of your death benefits now.

What about my other benefits?
The Board will reduce the death benefits payable by the amount that you received as a Living Needs Benefit. Your designated beneficiary(ies) or your estate will receive the remaining portion of your death benefits at the time of your death. If you decide to elect the Living Needs Benefit, other benefits from the Benefits Plan and Housing and Assistance Programs will not be affected.

Can I change my designated beneficiary(ies) after receiving this benefit?
Yes. You may change your designated beneficiary(ies) for the Salary Continuation Benefit at any time on Benefits Connect.

What happens if I retire after receiving this benefit?
The Board will reduce the amount of your retiree death benefit by the amount you received from the Living Needs Benefit.

What happens if I live longer than 24 months?
There is no penalty for outliving your medical adviser’s expectations. Your death benefits will be offset at the time of your death, whenever it occurs.