

## A Frequently Asked Question

An issue that comes up regularly is: “My mother (or father, or uncle) passed away a few years ago, and we keep getting notices from AVEC about capital credits. Does my loved one have money that AVEC owes him/her and, if so, what do we need to do to get it released?”

The answer is: If the person was a member of AVEC at any time in the past two decades, they probably do have patronage capital or capital credits on file at AVEC. The capital credits are earned during years when AVEC makes a profit, or margins—as we call them in the nonprofit world—and are accumulated in an account in the member’s name.

Capital credits are retained by AVEC for several years, because that money is used to build or improve the system to better serve the members. After a certain number of years, usually about 15, the board of directors votes to return the capital credits to the members if the cooperative’s financial condition allows it. Returning capital credits is also called retiring those credits.

When a member dies, their capital credits continue as an asset of their spouse, if they were married. If the member is single or their spouse has predeceased them, the credits are the property of their estate. The court-appointed executor of the estate can request AVEC to make an early disbursement of the capital credits.

To make a request, the executor should request a form from AVEC’s member services department that details the documents needed for the request to be processed. At a minimum, we need a certified copy of the death certificate and a certified copy of a court document appointing the individual as executor.

The applicant will need to choose whether the capital credits are to be issued over time, in which case they will receive 100 percent of the amount of the credits paid out as they are retired by the board. If the applicant wants all of the accrued capital credits to be paid out immediately, they will be discounted to their “present day” value, and a single check will be written within a couple of weeks.

Because the capital credits are on a 15-year retirement cycle, a simple formula is used to determine the value today of a payment that would be due some years down the line. Each year’s discount is unique, since the discount gets smaller the closer to the actual retirement date.

The amount is computed for each year of capital credits and all years are totaled to come up with the check amount, which is then issued in whatever name is designated by the executor of the estate. Of course, if there are any unpaid bills owed by the member, those unpaid debts will be deducted from the amount to be refunded before the check is written.

Please do let me know if you have other questions you would like answered. I am always happy to hear from you.

Until next time



**Meera Kohler**  
President and CEO



ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.  
4831 Eagle Street • Anchorage, Alaska 99503  
(907) 561-1818 OR (800) 478-1818



Meera Kohler, President & CEO

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