

A BRIEF SUMMARY OF YOUR OPTIONS
WHEN YOU ACTUALLY APPLY TO RETIRE:

“Option” is the term used to describe how a retirement allowance is allotted. The allowance must be paid to the member in lifetime monthly payments, but the apportionment of those payments will differ depending upon the member’s option selection. Option selection also determines what benefits, if any, will be paid to survivors after a retiree’s death.

Employees are “vested” when they have ten years of creditable service. Employees can retire at age 55 with at least ten years of service, or at any age with twenty years of service. Employees with at least ten years of service, can leave state employment, and elect to “defer” their retirement until a later time. When employees “defer” their retirement it is strongly recommended that the employee continue to pay for “basic life insurance” of \$5,000. Employees cannot withdraw or transfer their funds if they elect to “defer” their retirement. They can apply to retire at age 55 or later. When they decide to retire, they can then elect health insurance benefits at “retiree discounted rates” which are currently 15% of the cost of health insurance.

Spousal Acknowledgment

Must a member’s spouse acknowledge the member’s option selection?

Yes, a married member’s Choice of Retirement Option form must reflect the signature of the member’s spouse in acknowledgement of his/her understanding of the option chosen. If a married member files a Choice of Retirement Option form that has not been acknowledged by his or her spouse, the Retirement Board is required to notify the member’s spouse within fifteen days by registered mail of the option selection and of the spouse’s right to sign and return an acknowledgement of receipt and understanding of such information.

An unacknowledged option selection shall not take effect unless the spouse fails to submit the signed spousal acknowledgement within thirty days of receipt of the information regarding the option selection from the Retirement Board. The effective date of the member’s retirement will not be affected by the requirement that spousal acknowledgement be obtained.

Making a Choice

What factors should influence a member’s choice of option?

The member’s health and age at retirement, income from other sources, financial obligations, and the need to provide for others who survive the member are the factors that should be considered carefully.

Are there any restrictions on a member’s election of an option?

There are no restrictions. Any member is free to select Option A, Option B or Option C.

When must a member select an option?

A member must choose an option before the date his/her allowance becomes effective. Retirement board staffers are available to thoroughly discuss options with the member prior to that date. If a member refuses or fails to select an option before the date his/her retirement becomes effective, the law provides that the member will be retired under Option B.

Is a member permitted to change his/her option selection?

A member is not permitted to change his/her option selection after his/her retirement becomes effective.

Option A means that the member will receive the full retirement allowance in monthly payments as long as he/she lives. All allowance payments will cease upon the member's death and no benefits will be provided to the member's survivors.

Option B provides a lifetime allowance to the member which is 1% to 5% less per month than Option A*. The annuity portion of the member's allowance is reduced to allow a potential benefit for his/her beneficiary or beneficiaries. Upon the member's death, the surviving beneficiary or beneficiaries of record, or if there is no beneficiary living, the person or persons appearing in the judgment of the State Retirement Board to be entitled, will be paid the remaining balance of the member's accumulated total deductions, if any, from the member's annuity reserve account in a lump sum.

* Age of member 50 – approximate reduction 1%

* Age of member 60 – approximate reduction 3%

* Age of member 70 – approximate reduction 5%

How soon could a member's retirement contributions be depleted?

Although a member's retirement allowance is not reduced because of the depletion of his/her accumulated deductions, it is generally the case that his/her deductions are used up within twelve to fifteen years of his/her retirement, depending upon the member's age at retirement. In the event of the member's death, any balance that does remain will be paid to his/her Option B beneficiary or beneficiaries. If there is no balance remaining, no payment will be made to a beneficiary.

Is a member's choice of a beneficiary limited under Option B?

Under Option B, a member may designate any person(s), or charity or institution as his/her beneficiary or beneficiaries. A member may, at any time after retirement, change his/her Option B beneficiary designation.

Option C, also known as the joint and last survivor allowance, provides you with a lifetime allowance approximately 7-15% less than that which you would receive under Option A. Upon your death, your designated beneficiary will be paid a monthly allowance for the remainder of his/or her life. **The survivor benefit will be equal to two-thirds of the allowance, which was being paid to you at the time of your death.**

How are the monthly allowance payments calculated under Option C?

Your monthly allowance received under Option C depends upon life expectancy factors for you and your designated beneficiary. Eligible beneficiaries under Option C include: spouse, parent, unmarried former spouse, sibling or child.

OPTION C ESTIMATE OF BENEFIT

| | | | | | |
|---------------|-----|-----|-----|-----|-----|
| Age of Member | 55 | 65 | 65 | 70 | 70 |
| Beneficiary | 55 | 55 | 65 | 65 | 70 |
| Approximate % | 94% | 84% | 89% | 83% | 86% |

Who may be named as a beneficiary under Option C?

Only one beneficiary may be named under Option C. The eligible beneficiaries are limited to a member's spouse, the member's former spouse (provided he or she has not remarried at the time of being designated as the Option C beneficiary), the member's child, parent, or sibling.

Is a member permitted to change his/her Option C beneficiary designation?

After a member's retirement has become effective, the Option C beneficiary designation cannot be changed.

Option C "Pop Up"

If a member is pre-deceased by his/her beneficiary, how will his/her Option C allowance payments change?

If the member's allowance was as the result of an application filed on or after January 18, 1988 and his/her Option C beneficiary dies on or after that date and before the member dies, the member would thereafter be paid the full retirement allowance he/she would have received had he/she originally selected Option A. (This conversion is commonly referred to as the Option C "Pop-Up".) Any cost-of-living increases that are granted after the member's Option C retirement becomes effective will be reflected in the newly established Option A allowance. All payments will cease upon the member's death.

For retirees whose retirement became effective before January 12, 1988 and who choose Option C and who are predeceased by their beneficiaries, extension of the Option C "Pop-Up" benefit is determined by their Retirement Board and (relevant "legislative body's") acceptance of Section 288 of Chapter 194 of the Acts of 1998. Under Section 288, such adjustments must be made prospectively from July 1, 1998. No payment can be made relative to the period, if any, from the date of the death of the beneficiary to July 1, 1998.

Effect of Divorce on Option C Beneficiary

Does divorce following retirement change the status of a member's former spouse as his/her Option C beneficiary?

If a member names his/her former spouse as his/her Option C beneficiary during the time they were married, the former spouse will continue to be the Option C beneficiary even if they are divorced after the member's retirement.

Cost of Living Adjustment (COLA)

Are members and their survivors automatically entitled to an annual cost of living increase in retirement allowances, pensions, or annuities?

COLA's are not automatic. The decision to grant a COLA is made by the state legislature and the Governor for retirees from the State and Teacher's Retirement Systems. Recent legislation requires acceptance by the local retirement board and the appropriate legislative body before retirees from local retirement systems would be eligible for COLA's. Once the legislation has been accepted, a retirement system can vote to grant an increase for a given year. Every member and beneficiary in that system who was receiving an allowance as of June 30 of the prior fiscal year would then be entitled to a COLA. The percentage increase in an allowance will be made on the full amount for an allowance up to a base of \$12,000. The cost of living percentage is based on the cost of living increase granted under the Consumer Price Index, not to exceed 3%. In addition to this COLA, an additional COLA (up to a total COLA of 3% of \$12,000) may be granted pursuant to another local option section.

All option forms must be witnessed by a spouse if a member is married.

Calculating Your Retirement Benefit

Your benefit rate is determined by your age as of your last birthday and your group classification (SSC employees are Group 1). The benefit rate is a specific percentage of the amount of your average annual rate of pay. The maximum pension is 80% of the high three-year average annual rate of compensation. Your age factor times the number of years of service determines this percentage. (See attached matrix)

Please note: The Option C factor used for calculation is based on the nearest birthday of the retiree and the beneficiary. For example: for a retiring member who is 58 years and 8 months old, and beneficiary who is 57 years and 2 months old, the factor used would be age 59 for the retiring member and age 57 for the beneficiary.