

Date: July 21, 2005  
To: All Benefited Employees  
From: Pam Oppelt, Benefits Coordinator  
Subject: **Option D Retirement Beneficiary for “Active Employees”**

### **SINGLE EMPLOYEES**

**This is important pre-retirement Option D information for all employees, but especially for single employees.** You have probably heard about Options A, B and C which you choose at retirement, but **Option D is something you complete prior to retirement if you want to provide your beneficiary with two options should you die in service.** In order for a member to provide for a payment of a lifetime allowance to a surviving family member if the retirement system member dies before retiring, the member would have to choose an Option D beneficiary upon becoming a member of the retirement system or at any time before retirement. The designated beneficiary is entitled to receive the Option C allowance the member would have been entitled to receive if the member had reached age 55 and retired on the date he/she died.

Option D provides a designated beneficiary with an allowance for life. If the member does not designate an Option D beneficiary, and if his/her spouse (provided he/she has an eligible spouse) does not elect to receive a lifetime allowance, the member's accumulated deductions will be paid in a lump sum to his/her surviving beneficiaries of record and no lifetime allowance can be paid.

If you are a member of the State Retirement Plan (**not the Optional Retirement Plan**), as an active employee you can fill out an Option D form naming an eligible beneficiary for your retirement money. You can complete this form at any point prior to retirement. **If you die as an “active employee” having this Option D completed will pre-elect Option “C” which will allow your beneficiary to have two options as to how he/she will use the money in your retirement plan. Completion of an Option D should you die “in service” provides your beneficiary the options of 1) a lump sum payment or 2) FULL OPTION C benefits for their lifetime (see the attached Brief Summary of Benefit Options at Retirement). When you choose your options “at retirement time” (see attached) the survivor benefit under Option C would be equal to two-thirds of the allowance, which was being paid to you at the time of your death. Option D provides your beneficiary with FULL OPTION C BENEFITS SHOULD YOU DIE AS AN ACTIVE EMPLOYEE.**

<p><b>WHEN YOU ACTUALLY RETIRE OPTION “D” BECOMES VOID, SO THINK OF IT AS A “SAFETY DOCUMENT” IN CASE YOU DIED IN SERVICE PRIOR TO APPLYING FOR RETIREMENT.</b></p>
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Remember that the percentage your beneficiary receives at death is based on your years of service, your three highest consecutive earning years and your age at death (see exceptions should you die under age 55). See Option C factors (attached) which show the percentage the beneficiary would receive depending upon the beneficiary's age and your age at the time of your death.

**Who should complete an Option D?**

In my opinion every unmarried employee who is a member of the State Retirement Plan (**not the Optional Retirement Plan**) regardless of whether they are vested or not who wants to provide his/her beneficiary with the ability to receive a lifetime retirement with FULL OPTION C benefits instead of having only one option (lump sum payout only) should they die prior to retirement.

**This is particularly important for employees who have serious health issues, or who may currently be out using sick leave, sick leave extension or the sick bank for any serious health condition.**

Option D must be witnessed. If you are married and your spouse is not listed as the beneficiary, you must have your spouse be the witness. **You must file a birth record of the beneficiary with the Option D.**

**ACTION STEPS:**

Enclosed is a copy of Option D along with the applicable charts. If you are single, and you want your beneficiary to have the option of receiving an allowance for life, please complete it, make a copy for your records, attach a copy of the birth record of your named beneficiary, and mail the originals to Pam Oppelt in Human Resources. I will mail it to the State Retirement Board and maintain a copy in your Human Resources file.

**OPTION D MUST BE COMPLETED "PRIOR TO RETIREMENT"**

**UPDATE BENEFICIARY TO OPTION D**

Please remember that if you complete an Option D, as with all beneficiary forms, please change the beneficiary information whenever a change is necessary.

**MARRIED EMPLOYEES**

**For married employees your spouse, if eligible, will automatically have two options should you die while an active employee so it isn't necessary for you to complete an Option D form. Please read the section regarding Guaranteed Minimum Allowance for member's surviving beneficiary with as little as two years of service.**

**Who are considered "Eligible Beneficiaries" under Option D?**

An **"Eligible Beneficiary"** is defined as: spouse, child (the child doesn't need to be a dependent), father, mother, sister, or brother of a member, or unmarried former spouse.

You **can name only one beneficiary on an Option D form**. If the member is married and the beneficiary is not the spouse, and eligible spouse has the option to override your decision or the spouse can waive his/her rights to the retirement account.

You can complete this Option D and name a minor child; however, should you die while the child is still a minor, Option D would not go into effect and the beneficiary on record (whoever you listed as the State Retirement beneficiary) would be entitled to a lump sum refund, or it would go to the employee's estate if there was no beneficiary on record. If the child was not a minor at the time of your death, Option D would go into effect.

**Is a member permitted to change his/her mind about electing Option D?**

A member can change or cancel his/her election of Option D by giving written notice to the State Retirement Board (One Ashburton Place, Room 1219, Boston, MA 02108). It is important to remember who you have designated as beneficiary under Option D because changes in personal circumstances do not automatically alter the designation. The Option D beneficiary remains the same until a new beneficiary is designated in the prescribed manner.

**How is the Option D benefit calculated if a member dies before his/her 55<sup>th</sup> birthday?**

The designated beneficiary is entitled to receive the Option C allowance the member would have been entitled to receive if the member had attained age 55 and retired on the date he/she died. The number of years of service that the member had been granted when he/she died plus any service for which the beneficiary makes a "make-up" payment will be used in the calculation.

This "make-up" is actually buying back the employee's former service. If a member's accumulated deductions do not reflect all of his/her creditable service, the member's Option D beneficiary may make "make-up payments" to establish a more complete record of creditable service. A beneficiary has 90 days in which to act from the date the retirement board mails a notice regarding his or her right to act.

**What is the Option D benefit if a member's death occurs on or after his/her 55<sup>th</sup> birthday?**

The designated beneficiary is entitled to receive the Option C allowance the member would have received if the member had retired on the date he/she died.

**Under what circumstances is a member's Option D election superseded?**

An Option D designation has a serious and lasting legal impact unless:

- a member cancels it; or
- a member's designated beneficiary predeceases the member; or
- a member retires, or
- a member's surviving beneficiaries are eligible to receive an accidental death benefit; or
- a member's eligible surviving spouse elects to receive a benefit, even if the member did not choose the spouse as his/her Option D beneficiary.

**Election by Spouse**

A member's spouse may elect to receive Option D benefits if:

- the member dies as a member-in-service and has nominated the spouse as beneficiary of his/her accumulated retirement deductions, or,

- the member has been married to the spouse for at least one year and dies as a member-in-service with at least two years of creditable service.

This type of spousal election is permitted even if the member had chosen another individual as his/her Option D beneficiary. This member must be living with his/her spouse at the time of death or if the couple is living apart, it must be for a justifiable cause other than the spouse's desertion or moral turpitude.

**If a member's spouse dies after receiving allowance payments under Option C, will benefits then be payable to the member's children?**

Each child would be eligible to receive an equal share of the allowance that the spouse had been receiving. Payments would be made to the legal guardian of each child and would cease upon each child's 18<sup>th</sup> birthday.

**What if a member has already retired under Option A or B, is there a circumstance in which his/her spouse could elect to receive Option D benefits?**

If the member dies within 30 days of retirement, the spouse can elect to receive Option D benefits. The member must be living with his/her spouse at the time of death or if the couple is living apart, it must be for a justifiable cause other than the spouse's desertion or moral turpitude.

**What benefits are payable to a member's spouse in these situations?**

The member's spouse would receive the Option C allowance the member would have received if he/she had retired on the date of his/her death. If the member was under age 55 on the date of death, the allowance would still be calculated as if the member had attained age 55. If the member was age 55 or older, the allowance would be calculated using the member's actual age on the date of death.

**How and when may a member's spouse elect Option D benefits?**

The retirement board will notify a member's spouse of his or her right to elect Option D benefits. A spouse has 90 days from the date this notice is mailed to elect Option D benefits. To be effective, the election must be made on a prescribed form filed with the Retirement Board within this period.

**What happens if a surviving spouse does not elect Option D benefits?**

If the member had not named another individual as his/her Option D beneficiary, the member's accumulated deductions would be paid to the surviving beneficiaries of record; or, if there are none, to the member's surviving spouse in one sum.

If the member had named another individual as his/her Option D beneficiary, that individual would receive a lifetime allowance (instead of a lump sum payment of accumulated deductions being made to the surviving beneficiaries of record).

## **GUARANTEED MINIMUM ALLOWANCE**

### **Is a member's spouse entitled to a minimum allowance?**

A member's surviving spouse is guaranteed a minimum allowance if the member designated the spouse as his/her beneficiary or if the spouse elected to receive Option D benefits and:

- the member dies as a member-in-service, and
- was married for at least one year, and
- had completed at least two years of creditable service

The couple must be living together at the time of the member's death or if they are living apart, it must be for a justifiable cause other than the spouse's desertion or moral turpitude.

### **What is the minimum allowance?**

The spouse would receive \$250.00 per month or \$3,000 annually.

## **ADDITIONAL ALLOWANCE FOR THE BENEFIT OF CHILDREN**

A spouse can receive an additional allowance of \$120.00 a month (or \$1,440 annually) for the benefit of the first eligible child and \$90.00 per month (or \$1,080 annually) for each additional eligible child.

### **If a spouse is receiving a guaranteed minimum allowance, is there any additional benefit for the children?**

Payments to the spouse for the benefit of the children will continue until each child's 18<sup>th</sup> birthday. If a child is a full-time student at an accredited educational institution, benefits will be extended until the child's 22<sup>nd</sup> birthday. Benefits terminate upon the date a child ceases to be a full-time student or upon a child's marriage, whichever occurs first. Benefits are stopped upon the child's adoption or death. There is no termination of benefits for a child who is physically or mentally incapacitated from earning on the date of the member's death.

### **Allowance Limitation**

#### **Is the amount of the allowance limited?**

The Option D benefit, together with amounts payable to a surviving spouse for the benefit of children, cannot exceed the annual rate of regular compensation the member was receiving on the date of his/her death.

## **REMARRIAGE OF SPOUSE**

### **What happens if the member's spouse remarries?**

The spouse will continue to receive the minimum allowance.

### **What benefits are payable to a member's eligible children if the member is unmarried or the spouse dies after receiving some benefits?**

The allowance which would have been payable to the spouse and the additional allowance for the benefit of the children will be paid to the surviving eligible children through a legally appointed guardian.

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**MEMBER’S DEATH WITH LESS THAN TWO YEARS OF SERVICE**

**What benefits are payable if an individual dies as a member with less than two years of service?**

If a member dies with less than two years of service and has designated an Option D beneficiary, the nominated eligible beneficiary would receive the Option C allowance the member would have received if the member had retired on the date of his/her death. If the member is under age 55 on the date he or she dies, the allowance would be calculated as if the member had attained age 55. If the member’s death occurs at age 55 or older, the allowance would be calculated using the member’s actual age on the date of death.

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**WHAT HAPPENS TO INACTIVE MEMBERS?**

**When is a member considered to have inactive status?**

Members-in-service become members-inactive when their employment terminates and their accumulated deductions remain in the retirement system for which they were an active member; or when they are on an authorized leave of absence (non-medical) without pay for a reason other than Retirement Board duties which extends for more than a year. **THIS WOULD INCLUDE EMPLOYEES WHO LEAVE THEIR STATE JOB AND ‘DEFER’ THEIR RETIREMENT TO A LATER TIME.**

**The law provides for the extension of particular benefits to the beneficiaries of members-inactive whose death occurs prior to retirement.**

**SURVIVORS OF INACTIVE MEMBERS**

**If an individual is an inactive member when he/she dies, what benefits are payable to the member’s spouse?**

The spouse has the same choice as the surviving spouse of a member-in-service whose death occurs prior to retirement. The eligible spouse may elect to receive an Option D allowance. If the spouse fails to elect the Option D allowance, the accumulated deductions will be paid to the member’s surviving beneficiaries of record or, if there are none, to the surviving spouse in one sum.

**If an individual dies as an inactive member, is his/her spouse entitled to a minimum allowance?**

No minimum guaranteed allowance would be payable to the spouse nor can any additional allowance be paid for the benefit of any children.

**DIVORCE/LEGAL SEPARATION**

If you are in the process of obtaining a divorce or have already divorced, a Domestic Relations Order (“DRO”) may be needed if there is an agreement between parties to assign the rights and benefits of an eligible member of the State Employees’ Retirement System. A DRO

must be reviewed and approved by the State Board of Retirement as to its form before submission to a Court for approval. Thereafter, a DRO must be filed with the Retirement Board.

The State Retirement Board can be called with any specific questions. Their number is 617-367-7770 (ask to speak to a Retirement Counselor).

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**Enclosures**