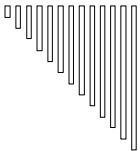


Beneficiaries

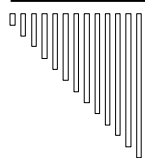
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Deputy General Counsel
PERAC

2010 Spring MACRS Conference



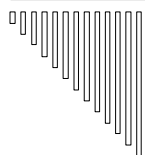
Beneficiary, defined

- Any person entitled to any present or potential benefit on account of membership of a person other than himself, under the provisions of sections one to twenty-eight, inclusive. (G.L. c. 32, Section 1.)



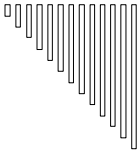
A Chapter 32 beneficiary will receive one of two things

- A lump sum of money
 - An allowance of some sort
 - Depending upon beneficiary, allowance may last a lifetime or a specified amount of time.
 - Accidental death beneficiaries receive both the lump sum and the allowance, in most cases
-



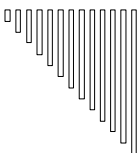
How Are Beneficiaries Made?

- A living person has no heirs, but a living person who is a member of a Chapter 32 system has a “beneficiary” or “beneficiaries” should they so designate.
 - A beneficiary’s rights to either a sum certain of money or an allowance does not ripen until the death of a member or a retiree.
-



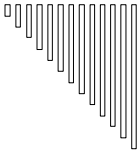
Member Dies in Service Possible Benefits

- Accidental death benefit
- Killed in the line of duty benefit
- Member Survivor Allowance
- Return of amount in annuity account



Retiree Dies Possible Benefits

- Option A: remainder of what was due retiree for month of death
- Option B: amounts, if any, remaining in annuity account
- Option C: allowance for life for one certain, statutorily acceptable, beneficiary
- Accidental death benefits (Section 9)
- Possible for one person to get both Option C and Section 9 benefits



Creation of a beneficiary

Thus, a beneficiary may spring from:

A superannuation retiree

An inactive member

A member in service

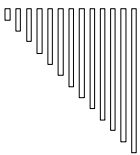
An ordinary disability retiree

An accidental disability retiree



SUPERANNUATION

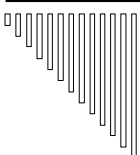
- So-called “regular retirement”
Group 1, 32 years of service + age 65 = “80%”
Section 5(2)(c) “The total normal yearly amount of the retirement allowance...shall not exceed 4/5ths of the average annual rate of his regular compensation received during any period of three consecutive years of regular compensation...”
 - Possible for Group 2 at age 60, for Group 4 at age 55
-



Three Possible Options

- Option A
- Option B
- Option C

- (These options are available to superannuation, ordinary and accidental retirees.)



OPTION A

- Gets the largest possible retirement allowance, known as “Life Annuity”

- Upon his death, no money payable to anyone except:
 - If he dies on the 16th of September, for example, his estate will be due 16 days of retirement allowance



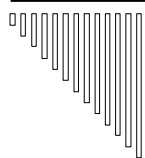
Conundrum which arises under Option A

- A retiree very inconsiderately dies mid-month.
 - Must be paid for the days of the month during which he was living.
 - Final Check payable to the “Estate of Joe Schmoe”
 - Dilemma: Some people don’t have an estate.
 - Possible solution, already adopted by some boards: Designation of a beneficiary to receive this payment.
-



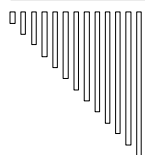
OPTION B

- Selected by retiree.
 - Also the “default” option to which those who fail to select an option are assigned.
 - Option B provides a lifetime allowance that is 1% to 5% less per month than Option A.
 - The member’s annuity account is gradually depleted by an amount equal to the annuity portion of your retirement allowance.
-



Option B, continued

- Usually, the annuity account will be depleted about 15 years after retirement.
 - Member still gets full allowance after depletion.
 - Upon member's death, beneficiary gets whatever amount is remaining in the annuity account, if anything.
-

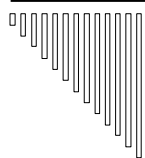


Who may be designated as an Option B beneficiary?

- Any person or entity
More than one person or entity may be designated.
For example, "50% to Luke McGlucke and 50% to the Boy Scouts of America"
-

Beneficiaries

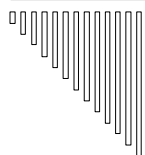
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May the Option B beneficiary be changed after retirement?

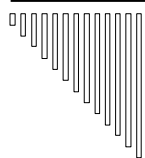
- Although the Option selected may not be changed, the Option B beneficiary may be changed post retirement, and may be changed as often as the member wishes.

- We even have a form for this. It is entitled “Beneficiary Change Form (Option B) (If Member Dies After Retirement).” It is available on the PERAC Website.



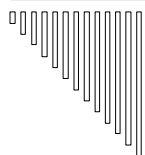
Option C

- A/k/a “the joint and last survivor allowance”
- Allowance will be 7 to 15% less than that which a person would receive under Option A.
- Upon the retiree’s death the beneficiary will be paid a monthly allowance for life.
- Amount of benefit depends on the life expectancies of member and beneficiary
- See PERAC Memo #37/2004 for more information



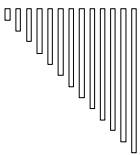
Who can be designated as Option C beneficiary?

- A member may only designate one Option C beneficiary.
The beneficiary may be the spouse, parent, unmarried former spouse, sibling or child.
Eligibility of the beneficiary is determined at the time the option is selected at retirement.
-



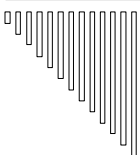
What if the Option C beneficiary dies before the member?

- No new beneficiary is selected.
Member's allowance "pops up" to Option A
 - Member paid as if receiving an Option A from date of death of beneficiary to the day he dies
-



The fourth option, the public employee's least favorite, Option D

- Unfortunately, some public employees die before retirement.
- The manner and circumstance of death will determine what the beneficiary will receive.
- The beneficiaries of many active and inactive members will be eligible for "Option D."



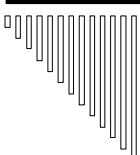
Option D

- The "Member Survivor Allowance"
- Provides beneficiary with the allowance the member would have received under Option C had they not tragically died and retired on the date of their death. If under age 55 at death, the age of the deceased will be "bumped up" to 55 to calculate the allowance.
- Beneficiary age "bumped up" an equal amount.



Where do Option D beneficiaries come from?

- A member designates an Option D beneficiary on a prescribed form
- Only one beneficiary may be named, and only a spouse, child, former spouse who has not remarried, mother, father, brother or sister is eligible for designation. OR
- An eligible spouse makes the election after the member's death



Under what circumstances may a spouse elect to receive an Option D benefit?

- A spouse may elect the Option D benefit if the following conditions are met:
 - The member must have completed at least **two years of creditable service**.
 - The member and spouse must have been **married for at least one year**.
 - The member and spouse must have been **living together** at the time of the member's death.
 - If they were not living together at the time of the member's death, the board must find that they were **living apart for justifiable cause**, other than desertion or moral turpitude on the part of the applying spouse.



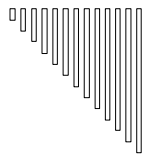
Eligible Spouse Will Trump All Others

- A surviving spouse who meets the criteria outlined previously will always be able to trump any otherwise eligible person nominated as your Option D beneficiary.
-



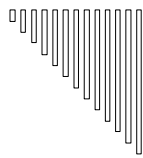
How and when may a member's spouse elect Option D benefits?

- The retirement board will notify a member's spouse of his or her right to elect Option D benefits. An eligible 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.
-



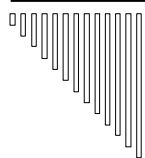
Benefits Payable to Children

- When a 12(2)(d) allowance is paid, Section 12B gives an additional allowance to a member's minor children:
 - \$120.00 per month to the oldest child
 - \$90.00 per month to each additional child.
-



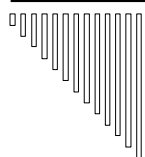
The 12B Benefit Ends...

- Upon his or her adoption
 - Upon reaching age 18
 - Upon reaching age 22 if a full-time student
 - Upon his or her marriage
 - Upon his or her death
-



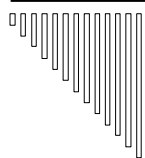
12B Benefit Will Not End...

- If child is physically or mentally incapacitated from earning on the date of death of the member
-



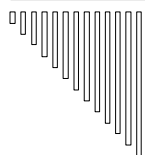
Children can in some circumstances “stand in a spouse’s shoes”

- Sometimes there is no spouse.
 - In that event, any minor children would divide the Member Survivor Allowance amongst them, and the 12B allowance would still be payable.
 - This benefit, derivative of Section 12B, would end as described in that section.
-



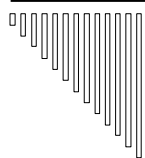
Inactive Members

- A 12(2)(d) allowance may be available to a beneficiary of an inactive member, HOWEVER
- No benefit for children is available under Section 12B.
- No eligibility for the “minimum allowance.”



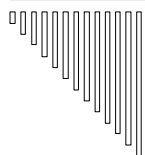
What happens if a surviving spouse does not elect Option D benefits?

- 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 Section 11 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 being made to the surviving beneficiaries of record.)



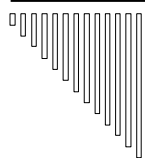
Fun Facts About Option 12(2)(d)

- Unless trumped by a spousal election, a nominated Option D beneficiary must receive the allowance.
 - A spouse nominated by a member must receive the allowance, and may not pick between the allowance and a return of accumulated deductions.
-



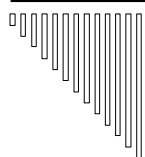
A Lump Sum Payment

- A beneficiary may be entitled to a return of a member's annuity account when the member dies before retirement.
 - The member should designate a beneficiary or beneficiaries on the PERAC form "Beneficiary Selection Form (If Member Dies Before Retirement)"
 - Taxable as if withdrawn by member, but no penalties for early withdrawal.
-



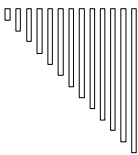
No Reason Everyone Shouldn't Already Have Filled Out This Form

- All public employees should fill out this form upon becoming employed.
- Death is certain and inevitable, and if you should die before retirement, you get to say where the money you have been contributing to the system should go.



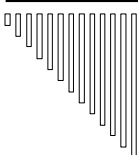
Is there any reason the person or entity I picked under Section 11 would not be entitled to a return of my accumulated deductions upon my death as a member in service?

- Yes. If there is an eligible beneficiary nominated under Option D of section 12, the law prohibits a return of accumulated deductions. Other circumstances that would prevent the disbursement of your account to the designated beneficiary would be the death of a person named as beneficiary, or the dissolution of a corporation or charitable organization named as a beneficiary. In addition, the Commonwealth will do a "IV-D" search on any beneficiary to assure that they do not owe any child support before the amounts are disbursed. If the beneficiary is in arrears in child support, the amount they are in arrears will be intercepted before disbursement. Finally, even if you did not nominate an Option D beneficiary, if you die with a surviving spouse in certain circumstances he or she may elect an Option D benefit, thereby precluding a return of deductions under Section 11.



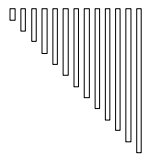
Caution

- No return of funds under Section 11 if there is an Option D beneficiary, either by designation or election.



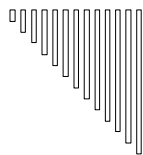
Accidental Death Benefit

- A member in service dies as a result of and while in the performance of his duties.
- All sums credited in his annuity account immediately disbursed to his beneficiary or beneficiaries of record.
- Surviving spouse to receive pension equal to seventy-two percent of member's annual rate of compensation on date of death.



Benefit to Children

- Children of a deceased member receive an additional allowance of \$708.60 annually, until they turn 18, 22 (if a student) or are adopted or marry.
 - Additional payment is payable to their guardian.
-

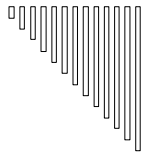


Retiree dies of the cause for which he retired

- Retiree dies of the cause for which he retired;
 - Widow entitled to not less than the pension portion he was receiving;
 - Must have been living with member at time of death, but no requirement of one year of marriage;
 - Option B retiree's beneficiary will receive a return of accumulated deductions; and
 - Same benefits to minor children as death of member in service
-

Beneficiaries

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Killed in the Line of Duty Benefit

- Available only to certain named employees such as police officers or firefighters.
- Death under certain conditions triggers this section, which pays 100% to surviving spouse.
- A spouse is required.
- Children taking benefit without spouse limited to 72%.