

## **Two Sides of the Same Coin**



## Section 11(2)(C)

- Member dies prior to retirement.
- Will annuity account be paid out?
- If so, to whom?
- Payout of annuity account prevents an allowance being paid under Section 12.
- Death = Time of Stress.
- Forms on file can help families and retirement boards better navigate this trying time.

#### Section 12(2)(d)

- Member dies prior to retirement.
- Is someone entitled to a lifetime retirement allowance?
- An allowance being paid out under Section 12 prevents the payout of the annuity account.
- Loss of a loved one not the greatest time to work out any ambiguities which may exist.
- Forms on file make everything easier.

## ATA MACRS

## **Beneficiary Selection Forms**

- 2 separate forms now.
- "Beneficiary Selection Form for Refund of Accumulated Deductions (If Member Dies Before Retirement)"
  - Allows a member to select a beneficiary(ies) to receive payment of accumulated deductions and other payments if the member dies before retirement, pursuant to § 11(2)(c)
- "Beneficiary Selection Form Option D (If Member Dies Before Retirement)"
- Allows a member to select an eligible beneficiary to receive an allowance if the member dies before retirement, pursuant to § 12(2)(d).
- Caveat: Only one will be paid out.

## ATA MACRS

# Beneficiary Selection Form (Refund of Accumulated Deductions)

- "Beneficiary Selection Form for Refund of Accumulated Deductions (If Member Dies Before Retirement)"
  - Member requests the retirement board to pay any sum referred to in § 11(2) due at his or her death to the following beneficiary(ies) in the proportions designated.
    - The accumulated deductions credited to the member's account in the annuity savings fund at time of death.
    - The amount of any unpaid checks payable to the member at his or her death.



## Beneficiary Selection Form (Refund of Accumulated Deductions) < Continued >

- Any person(s) or entity(ies) may be a beneficiary under § 11(2).
  - Identify by name, address, SSN
  - Allocate a proportionate share
- States that the member's selection may be superseded by a designated eligible beneficiary under § 12(2)(d).
- Also states that the member's selection may be superseded by an eligible spouse under the provisions of Option D.
- Member signs the form, along with a disinterested witness.



## Beneficiary Selection Form (Choice of Option D Beneficiary)

- "Beneficiary Selection Form Option D (If Member Dies Before Retirement)"
- This form permits a member to nominate a beneficiary under § 12(2)(d).
- Limited to a spouse, former spouse who has not remarried, child, parent, or sibling.
- Nominated beneficiary to receive a benefit equal to the Option (C) retirement allowance which would otherwise have been payable to the member in the event the member dies before retirement.
  - If under age 55 (or 60 if became a Group 1 member on/after 4/2/12), age factor is bumped up to the minimum. Same for the beneficiary's age.
  - May change the beneficiary designation at any time prior to retirement.
  - The form becomes void upon retirement.



## Beneficiary Selection Form (Choice of Option D Beneficiary) < Continued >

- The member understands that the choice of a non-spouse Option D beneficiary can be superseded if, at the member's death, the member has at least two years of creditable service and leaves a spouse:
  - To whom the member has been married for over one year;
  - With whom the member was living on the date of the member's death or, if living apart;
    - For justifiable cause as determined by the retirement board.

## MACRS LEGAL PANEL

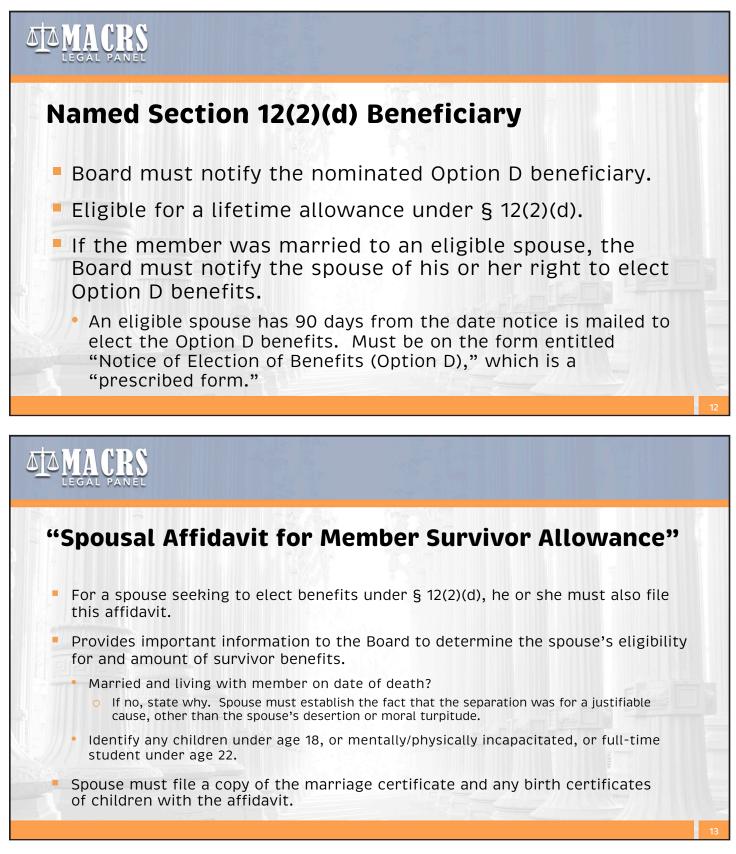
## Beneficiary Selection Form (Choice of Option D Beneficiary) <Continued>

- Name the designated beneficiary.
- Identify the relationship to the member.
- Provide beneficiary's date of birth (with a birth record).
- Provide the beneficiary's SSN.
- Disinterested witness must sign and date.

## ATA MACRS

## Fast Forward...

- Productive and long career as a public servant ... but die prior to retirement.
- What happens?
- Look to the Beneficiary Selection Forms.
  - Determine who was named as the Option D beneficiary.
  - Determine who was named as the beneficiary(ies) to receive a return of accumulated total deductions.
  - Determine whether the member was married (and further, whether they were married for more than one year and living together or living apart for potentially justifiable cause).





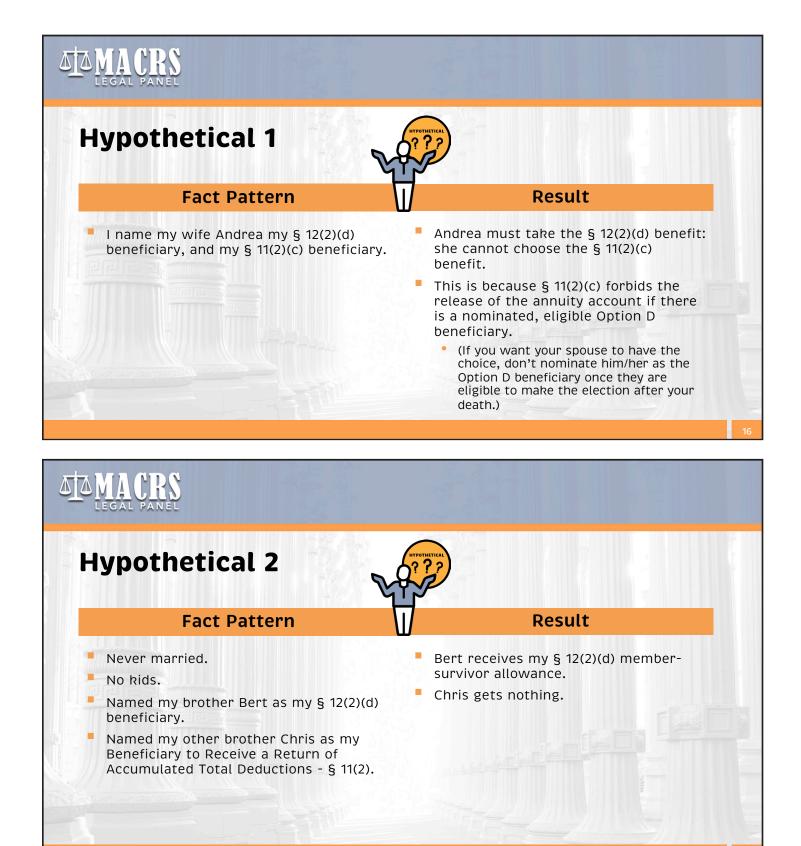
## What Happens If There Is No Eligible Option D Beneficiary?

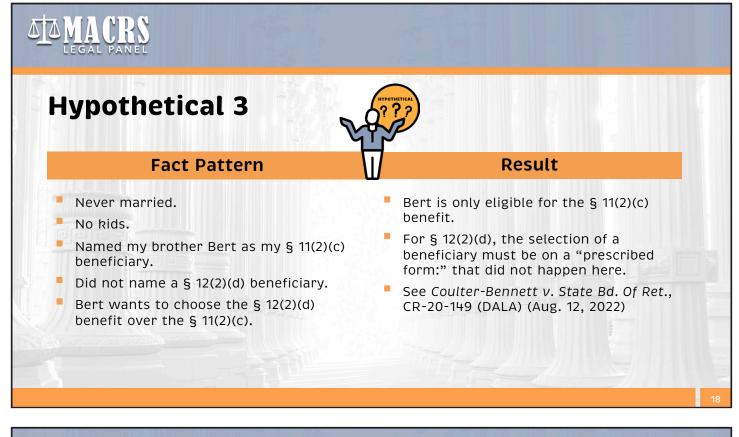
If the member did not name another individual as his/her Option D beneficiary, and there is no spousal election, the member's accumulated deductions would be paid to the surviving § 11(2) beneficiary(ies) of record, or, if there are none, to the member's surviving spouse in one sum.

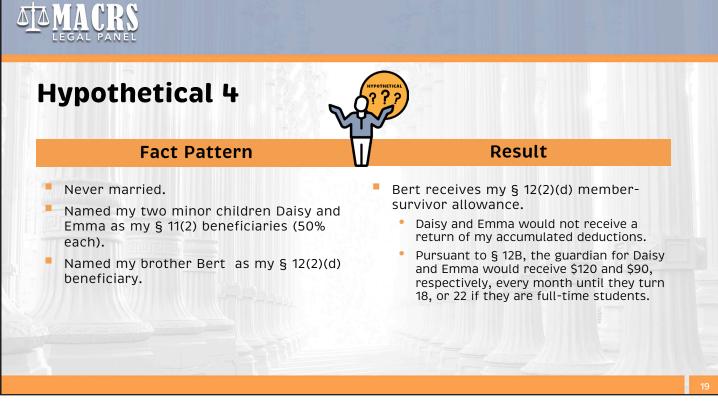


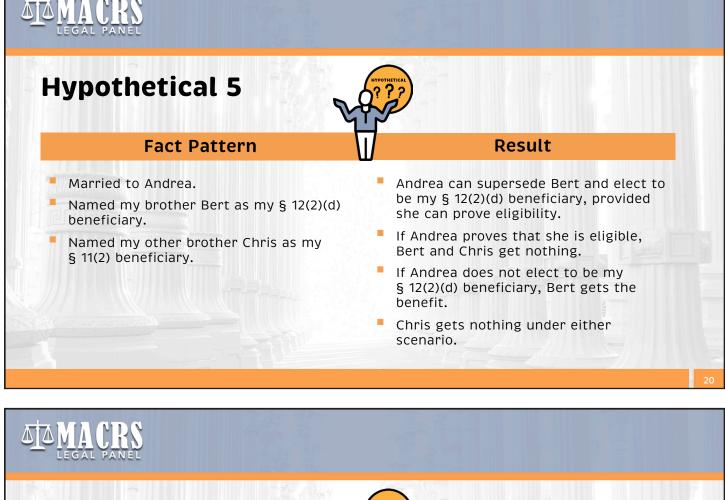
## **Withdrawal of Accumulated Total Deductions**

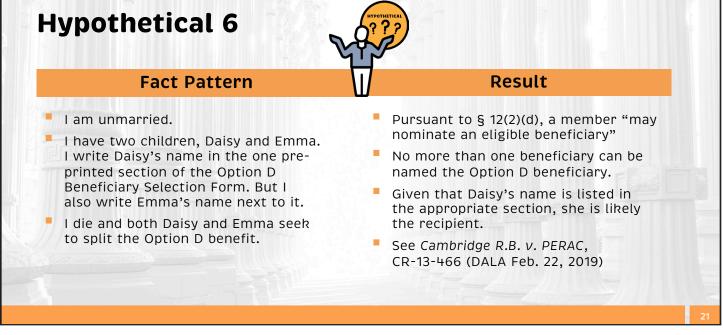
- If the accumulated total deductions are being paid out, the beneficiary(ies) must complete the "Application for Withdrawal of Accumulated Total Deductions (Beneficiary)."
- The beneficiary(ies) are entitled to either a direct rollover to an eligible account or a check of the funds minus 20% federal tax withholding.
- Each beneficiary is eligible for a different rollover:
  - Spouse: 401(a), 401(k), 403(b), 457(b), Roth IRA, or Simple IRA
  - Non-Spouse: Inherited IRA

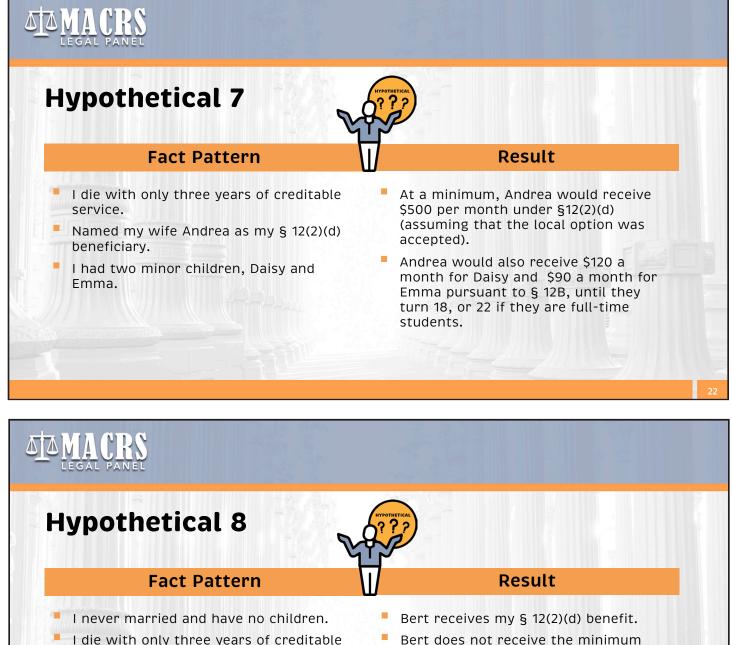




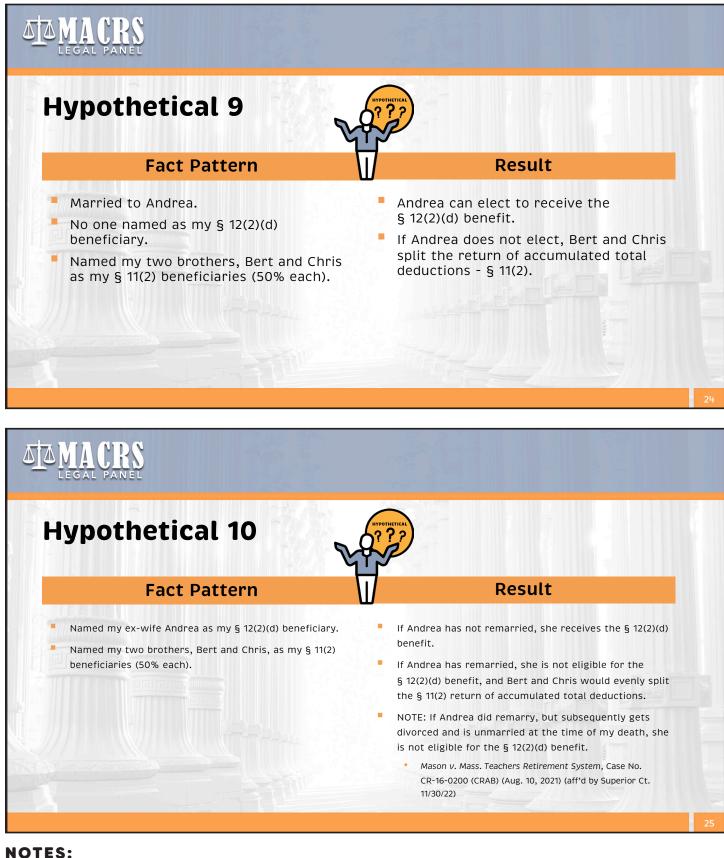


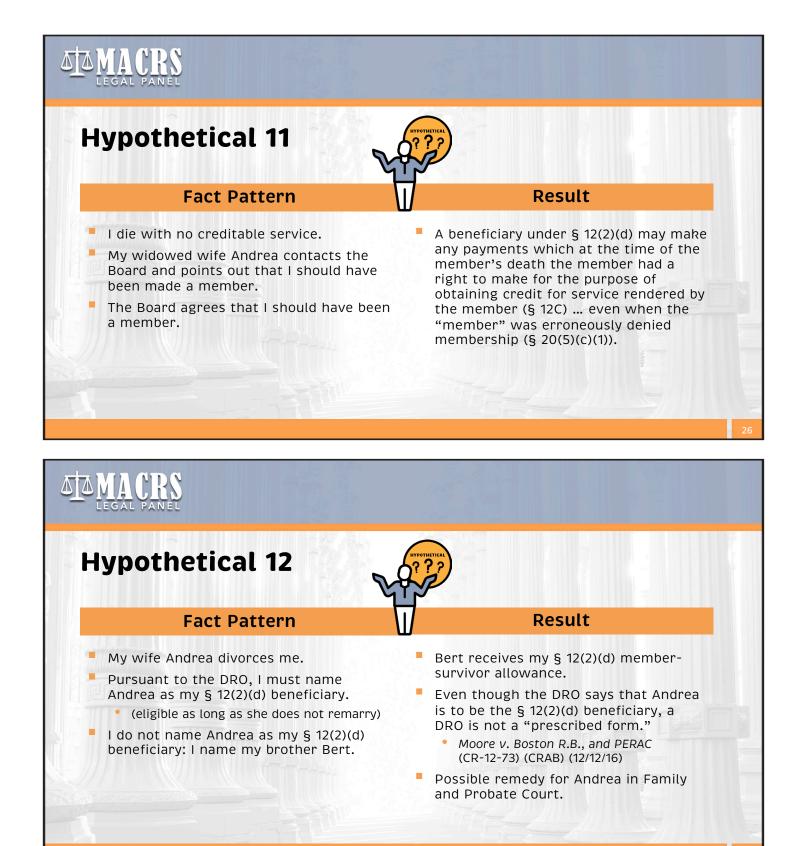


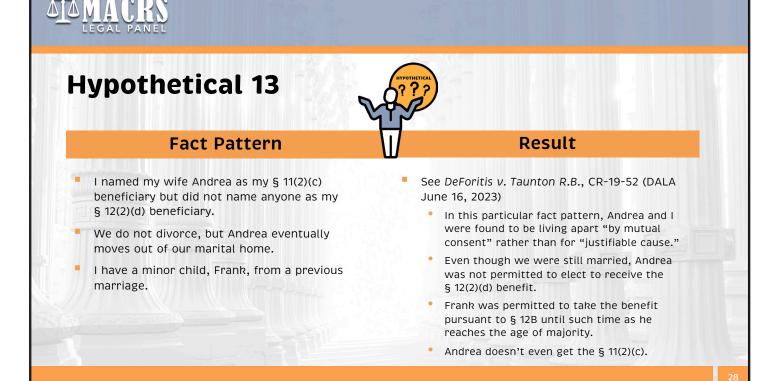




- I die with only three years of creditable service.
- I name my brother Bert as my § 12(2)(d) beneficiary.
- allowance, however. • The minimum allowance is only available
  - The minimum allowance is only available to the surviving spouse of an active member (See Barnstable Cty. R.B. v. PERAC, CR-16-330 (DALA Jan. 25, 2019)
  - However, if the benefit is paid to a minor child pursuant to § 12B, the minor would be eligible for the minimum allowance







## **In Conclusion**

- Death is a traumatic event: plan ahead and name a proper beneficiary(ies).
- Review and update the forms following any life changing event.
- Enjoy the rest of MACRS!

#### NOTES:

#### COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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