

## **OPTION D EXPLANATION FOR MEMBERS HIRED AFTER 4/2/2012**

### **If a Member Dies Before Retiring, Can the Member Provide for Payment of a Lifetime Allowance to a Surviving Family Member?**

Members have the right to choose what is called an “Option D beneficiary” upon becoming a member or at any point prior to retirement. Option D provides a designated beneficiary with an allowance for life.

However, if the member does not designate an Option D beneficiary and if his or her eligible spouse does not elect to receive a lifetime allowance, the member’s accumulated deductions will be paid in a lump sum to the beneficiary or beneficiaries he or she has designated to receive a return of the amounts in the member’s annuity account, and no lifetime allowance will be paid. An exception to this is if a member dies survived by minor children, which will be discussed more fully below.

### **Who May a Member Designate as His or Her Option D Beneficiary?**

Members may designate only one Option D beneficiary. The eligible beneficiary is 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 D beneficiary), the member’s child, parent, or sibling. Even if not nominated, an eligible spouse may elect to receive this benefit upon the death of the member. The right of election by a spouse is discussed more fully below.

### **May a Member Change His or Her Option D Beneficiary Designation?**

A member may change his or her Option D beneficiary designation by giving written notice on a prescribed form to his or her retirement board. Members are encouraged to revisit the selection whenever they wish, and particularly when major life events such as death or divorce occur. 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 on a prescribed form.

#### **Can a Beneficiary Make any “Make-Up” Payments That a Member Had Been Eligible to Make?**

If a member’s accumulated deductions do not reflect all of the member’s service to which he or she is entitled, the member’s Option D beneficiary has 90 days in which to make any “make-up payments” to establish a more complete record of creditable service. However, a beneficiary may not buy back veteran’s service to which the member might have been entitled.

### **Does a Member Have to Designate an Option D Beneficiary?**

No, there is no requirement that a member designate an Option D beneficiary. If a member does make such a designation, they may retract it at any time by giving written notice to his or her retirement board.

### **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 or her Option D beneficiary.

### **What is the Minimum Age for Retirement?**

Minimum age for retirement is the earliest age at which a member may retire for superannuation retirement under Section 5 of Chapter 32 if otherwise eligible. Members in Group 1, which includes most public sector employees, cannot retire under Section 5 prior to attaining age 60. Members in Group 2 (members in certain hazardous occupations) and Group 4 (public safety officers, such as police officers, firefighters and some corrections officers) cannot retire under Section 5 prior to attaining age 55.

### **How is the Amount of an Option D Benefit Calculated if a Member Dies Before His or Her Minimum Age for Retirement?**

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

### **What Age Factor is Used for the Beneficiary When a Member Dies Before Attaining the Minimum Age for Retirement?**

The beneficiary’s age factor is also increased, by the number of years necessary to bring the member up to the minimum age for retirement. For example, Jack Jones, a member in Group 1, dies at age 49, and his wife Mary is 45. The age factor used for Jack will be 60, or an increase in 11 years. Mary’s age factor will also be increased by 11 years, in this case resulting in an age factor of 56.

### **What is the Option D Benefit if a Member's Death Occurs On or After His or Her Minimum Age for Retirement?**

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 or she died.

### **Under What Circumstances May a Member's Spouse Elect to Receive Option D Benefits?**

A member’s spouse may elect to receive Option D benefits if the following conditions are met:  
The member dies as a member-in-service and has not nominated any Option D beneficiary, or has nominated someone other than the spouse as an Option D beneficiary; and  
The member has been married to the spouse for at least one year and dies with at least two years of creditable service; and  
The member was living with the spouse at the time of death, or, if they were living apart at the time of death, it must be for a justifiable cause other than the spouse’s desertion or moral turpitude.

### **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.

### **Would a Spouse Ever be Permitted to Elect the Option D Benefits if More Than 90 days Has Passed Since the Spousal Notification?**

Yes, in a certain, limited circumstance. If a spouse (or other eligible person) is entitled to accidental death benefits pursuant to Section 9 of Chapter 32, they may apply for the Option D benefit at any time up to one year following the death of the member.

### **What Happens if a Surviving Spouse Does Not Elect Option D Benefits?**

If the member had not named another individual as his or 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 or 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).

### **If Designated as an Option D Beneficiary on the Prescribed Form, May a Spouse Opt Not to Take the Allowance?**

No. If any eligible person (spouse, former spouse who has not remarried at the time of option selection, child, mother, father, brother or sister) is named as an Option D Beneficiary, they must take the allowance. No disbursement of the member's accumulated total deductions may be made if a beneficiary is nominated under Section 12(2)(d).

### **If a Member Has Already Retired, is There a Circumstance in Which the Surviving Spouse Could Elect to Receive Option D Benefits?**

If the member dies within 30 days of retirement without having selected Option C, the spouse can elect to receive Option D benefits. The member must be living with his or 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.

### **Is There a Minimum Allowance Provided For Under Option D?**

In a limited circumstance, yes. Sometimes, the allowance which is based on the age factors of the member and beneficiary and the member's years of service and salary may be extremely small. The law provides that certain surviving spouses be granted an allowance which does not go below a certain minimum amount as explained below.

### **When is a Member's Surviving Spouse Entitled to a Minimum Allowance?**

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

the member dies as a member-in-service, and  
was married to the spouse 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 surviving spouse's desertion or moral turpitude.

### **What is the Amount of the Minimum Allowance?**

The amount of the minimum allowance for the survivor of a member who dies in service depends upon whether or not a local option has been accepted. If the local option has not been accepted, the minimum allowance is \$250.00 per month or \$3,000.00 annually. If the retirement system has accepted the local option, the minimum allowance is \$500.00 per month or \$6,000.00 annually.

### **If a Spouse is Receiving an Option D Allowance, is There Any Additional Benefit for the Children?**

The spouse can receive an additional allowance of \$120.00 a month (or \$1,440.00 annually) for the benefit of the first eligible child and \$90.00 per month (or \$1,080.00 annually) for each additional eligible child.

### **When Does This Additional Allowance for Children Terminate?**

Payments to the spouse for the benefit of the children will continue until each child's 18-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 will end if a child dies, marries or is adopted. In addition, even if a child is still under 22, benefits will terminate when he or she ceases to be a full-time student. 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.

### **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 or her death.

### **What Happens if the Member's Spouse Remarries?**

The spouse will continue to receive the Option D 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.

### **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 or her death. If the member is under the minimum age for retirement on the date he or she dies, the allowance would be calculated as if the member had attained the minimum age for retirement. If the member's death occurs after the member had attained the minimum age for retirement, the allowance would be calculated using the member's actual age on the date of death.

**If an Individual is an Inactive Member When He or She Dies, What Benefits are Payable to the Member's Spouse?**

The spouse has the same choice, with certain limitations as discussed further down, 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 or Her Spouse Entitled to a Minimum Allowance?**

No. The spouse of an inactive member has no minimum guaranteed allowance.

**If an Individual Dies as an Inactive Member, What Benefit is Payable for His or Her Minor Children?**

None. The surviving spouse of an inactive member is not entitled to any additional allowance to be paid for the benefit of the children.

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

**When is a Member Considered to Have Inactive Status?**

Members-in-service become members-inactive upon their retirement. Members-in-service also become members-inactive when their employment terminates and their accumulated deductions remain in the system of 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.