

Hampshire County Retirement System

Memo to Advisory Council Members

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To: Advisory Council Members

From: Mary Baronas, Administrator

RE: CHAPTER 176 OF ACTS OF 2011 - INCREASING MINIMUM OPTION D BENEFIT INFORMATION

Chapter 176 of the Acts of 2011 – Increased the minimum pension payable to an eligible spouse receiving an Option D benefit to \$500 per month for State and Teacher retirees. As a local option, Regional Retirement Boards can also increase the minimum monthly benefit (currently \$250) to \$500 per month (\$6,000 annual) by vote of the Retirement Board and by vote of the Regional Retirement Advisory Council. This issue will be presented at an Advisory Council meeting being planned for June 2012.

What is Option (d) benefit?

An Option (d) benefit is a Member-Survivor Allowance, a lifetime monthly benefit, paid to a single eligible beneficiary in the event that a member dies prior to retirement. It may also be referred to as a “Member-in-Service Death Benefit”.

Who is an eligible beneficiary under Section 12(2) Option (d)?

Only one person may receive the Option D benefit (in order of superior rights to benefit)...

1. Spouse to whom member had been married at least 1 year and were living together on date of death. A spouse meeting this criteria automatically has superior rights to the Option D benefit and may chose to receive such benefit regardless of any other named beneficiary.
2. If there is no eligible spouse, then the Legal guardian of any minor child or children will be eligible to receive the Option D benefit as long as the child qualifies as an eligible dependent.
3. If the member has no eligible spouse or minor children with superior rights, then an otherwise qualified beneficiary, specifically named by the member, may receive the Option D benefit. A named Option D beneficiary is restricted to a spouse, child, former spouse who has not remarried, parent, sibling of the member.

(Alternatively, in the event that a member dies before retirement and there is no eligible Option D beneficiary or the eligible spouse chooses not to take the Option (d) benefit, then a lump-sum distribution of the member’s contributions plus interest is made to one or more beneficiary(s) named

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under Section 11(2)(c) or if none, to the member's estate. If an Option D benefit is to be paid, there is no distribution under 11(2)(c.)

How is the Option D benefit calculated?

The amount of the member-survivor benefit is calculated as the member's option C allowance as if the member retired on date of death. (*Prior to February 1, 2000; amount was 2/3rds of member's option C allowance.)

Age factor X Service X Average 3-yr Salary X Option C factor = Option D benefit

- If the member is under the age of 55 (or age 60)* at the time of death, the group/age factor for age 55 (or age 60) is used in the calculation. (*For current members age 55 is applicable, for individuals becoming member on or after April 2, 2012 age 60 is applicable.)
- If the member is over the age of 55 (or age 60), the group/age factor will be equivalent to the member's actual age at time of death.
- Option C factor is based on both the member's and beneficiary's actual ages at time of death.

When and how does the minimum monthly benefit apply?

Under certain conditions the minimum monthly benefit is \$250/mo (or if accepted \$500/mo) applies. Minimum monthly benefit does not apply unless all five of the following conditions are met.

1. The member-survivor beneficiary must be a spouse to whom member had been married for at least 1 year and with whom the member was living on the date of death
2. The member was an active member-in-service (actively employed) on date of death.
3. The member had at least 2 years of creditable service on date of death.
4. "The total annual allowance ...shall at no time be greater than the annual rate of regular compensation, payable to such member on the date of death of such member."
5. The member's annual rate of compensation on date of death was at least \$3,000 per year (\$6,000 if increased minimum is accepted).

Prior to July 1, 2000, upon remarriage of survivor, minimum monthly benefit provision terminated and benefit was recalculated. On July 1, 2000, Chapter 159 of the Acts of 2000, eliminated the "remarriage penalty" on a prospective basis only. Surviving spouses who had remarried prior to July 1, 2000 and for

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whom the minimum benefit had already been terminated due to remarriage were not entitled to be adjusted back to the minimum benefit.

Impact of Chapter 176 of the Acts of 2011

Chapter 176 of the Acts of 2011 – Increased the minimum pension payable to an eligible spouse receiving an Option D benefit to \$500 per month for State and Teacher retirees. As local option, Retirement Boards can also increase minimum monthly benefit (currently \$250) to \$500 per month.

Hampshire County Retirement System:	Count	Annual Benefit
Total Current Option D recipients	72	\$455,389.
Calculation exceeds minimum \$500/mo. (19 spouses, 2 non-spouse)	21	
Spouses not receiving minimum due to remarriage prior to 7/1/2000	12	
Member Salary Cap less than \$6,000	9	
Eligible for partial adjustment to salary cap (< \$6,000)	3	
Total eligible for increase to \$500/mo or salary cap whichever is lower	33	\$39,063.
Year 1 Cola Increase (3%)		\$1,172.

On average survivors eligible for increase currently receive benefits of \$392/mo. Average increase is \$98/mo. (see attached)

Chapter 32, section 12(2) Option (d) as amended by St. 2011 c. 176 §29 §30

... “The normal monthly member-survivor allowance provided for under this option to a spouse of a deceased member shall not be less than \$250 or \$500 a month, whichever is applicable to such spouse, subject to the provisions of paragraph (e) of section one hundred and two; provided, however that the deceased member was a member in service as described in subparagraph (i) of paragraph (a) of subdivision (1) of section three on the date of death and that the member had not less than two full years of creditable service and had been married to such spouse for not less than one year; and provided, further, that such member and such spouse were living together on the date of death of the member, or that the board finds that they were living apart for justifiable cause other than desertion or moral turpitude on the part of such spouse.

Beginning April 2, 2012, the normal monthly member-survivor allowance provided for under this option to a spouse of a deceased member shall not be less than \$500 for members of the state teachers’ and state employees’ retirement system. This paragraph shall take effect for the members of a retirement system of any other political subdivision by a majority vote of the board of such system and by the local legislative body. For the purpose of this paragraph, a vote of the legislative body shall take place in the following manner: in a city, by a vote of the city council subject to its charter; in a town, by a vote at a town meeting; in a county, by a vote of the county retirement board advisory council; in a region, by a vote of the regional retirement board advisory council; in a

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district, by a vote of the district members; and for an authority, by a vote of its governing body. Acceptance shall be deemed to have occurred upon the filing of a certification of such vote with the commission." ...

The Hampshire County Retirement Board will ask the Advisory Council Members to consider the acceptance of St. 2011 c. 176 § 29 §30 at the next Advisory Council Meeting.