

OPTIONAL SETTLEMENT 4 POLICY

I. PURPOSE

The purpose of this Policy is to establish and document the guidelines and procedures regarding the Optional Settlement 4 (“Option 4”) benefit allowance.

Under provisions of the County Employees Retirement Law of 1937 (“CERL”), a retiring member elects to receive either (a) the unmodified retirement benefit that provides the maximum benefit to the member and a 60% continuance to a qualifying spouse or minor child, or (b) one of three optional retirement allowances that provide a reduced benefit to the member with predefined benefits to a single beneficiary of the member’s choosing.

Additionally, the CERL Section 31764 provides a 4th option that allows the member to receive a reduced benefit and provide a continuing benefit in an amount other the predefined choices or to designate more than one beneficiary to receive a continuing allowance.

II. POLICY OBJECTIVES

Establish processes to facilitate access to alternative, member-driven, benefit structures as provided in Section 31764 of the Code. Option 4 is often utilized by member to provide a benefit structure necessary to implement a court-approved Domestic Relations Order that requires a life benefit to a former spouse.

III. POLICY GUIDELINES

The Option 4 benefit structure must not place any additional burden on the retirement system. To ensure that the Option 4 benefit structure is acceptable, MCERA will engage an actuary to calculate all Option 4 benefit allowances.

Upon the actuary’s determination of the allowance, all Option 4 allowances must be approved by the Board of Retirement.

A. OBTAINING AN OPTION 4 ALLOWANCE ESTIMATE

Upon written request by the member, MCERA will provide one Option 4 calculation no earlier than one year prior to the member’s retirement eligibility date at no cost to the

member. All requests must be submitted using the Optional Settlement 4 Request Form and signed by the member. Incomplete forms will not be processed.

The member is entitled to only one option 4 calculation at no cost. The member is responsible for the full cost of any subsequent calculations. The estimated cost for an additional calculation must be paid, in full, before MCERA submits the request to the actuary for calculation. Any outstanding balance for the cost of the calculation must be paid before the calculation is provided to the member.

Please note that the time frame to receive an Option 4 calculation is on average 4-8 weeks.

B. RESTRICTIONS ON OPTION 4 ALLOWANCE STRUCTURES

MCERA requires the Option 4 allowances conform to the following:

- All beneficiaries receive the same continuance percentage
- No “reversion” of benefits allowed
- All beneficiary designations are irrevocable and cannot be changed after retirement

The Executive Director may authorize Option 4 *estimates* that do not confirm with the restrictions listed. However, the approval of exceptions to any restriction noted above rests solely with the Board of Retirement. (Preapproval of the Board is required see paragraph C.)

C. ELECTING AN OPTION 4 ALLOWANCE

Upon selection of the Option 4 allowance at retirement, a final calculation of the allowance will be completed at the cost of the system.

The Board of Retirement approves all Optional Settlement 4 allowances. Payment of benefits will not occur until approved by the Board. Selection of the Option 4 allowance may result in a delay of the first benefit payment to allow time for the actuary computation and Board approval.

IV. POLICY REVIEW

This Policy is subject to change in the exercise of the judgment of MCERA management. The Executive Director may review and amend this policy at any time in accordance with the Executive Charter, Section II.C.7.

V. POLICY HISTORY

This policy was implemented by the MCERA Executive Director on July 1, 2020.