

**BOARD OF PENSIONS
ADMINISTRATIVE RULES**

Section:	9 (Pension Credits)	Subject:	REDUCTION IN PENSION CREDITS WHEN A JOINT & SURVIVOR OPTION IS CANCELED
Rule Number:	905		
Reference:		Resource:	Pension Benefits
Article VIII, Section 8.3		Original Date:	10/91
		Revision Date:	6/95, 4/97, 3/98, 2/03

(NOTE: THIS RULE HAS BEEN UPDATED AS OF 1/1/07, AND THE UPDATED RULE COMES AFTER THE DISCUSSION RE: JOINT & SURVIVOR OPTIONS ON PAGES 3-6.)

A member may cancel a joint and survivor option at any time prior to retirement.

Reasons for the cancellations are:

- Member Chooses to Terminate Option
- Death of Plan Member
- Death of Spouse
- Divorce (unless a court order keeps the survivor option in effect)

Pension credits may be reduced when a joint and survivor option is canceled prior to retirement. The pre-retirement cancellation charge begins at age 63 under Options 1, 2 & 3 and at age 59 under Option 4. No penalty is assessed for canceling a joint and survivor option for coverage beyond age 65.

The Board's pension actuary developed the actuarial factors for determining the pre-retirement charges and periods of coverage.

An actuarial factor based on the length of pre-retirement coverage prior to age 65 is multiplied by the total pension credits at the time of the option's cancellation. The result or "charge" is then subtracted from the total pension credits.

Example 1: A member selects Option 2 at age 63. When the member reaches age 65 (before retirement), his spouse dies. Since the member has been protected under Option 2 for two years, his pension credits are actuarially reduced for the pre-retirement coverage.

Example 2: A member selects Option 4 at age 55. The member has filed for divorce and by age 62, the divorce has been finalized. The member has been protected under Option 4 since age 55. However, as the pre-retirement charge under Option 4 begins at age 59, the member's pension credits are reduced for the pre-retirement protection for three years, from age 59 through age 62.

Example 3: A member selects Option 3 at age 57. The member decides to cancel the coverage at age 62. In this situation, there is no charge for this coverage because the member canceled the coverage before age 63, the age that the pre-retirement charge is effective under Option 3.

Example 4: A member selects Option I at age 60. At age 66 (before retirement), the member cancels his option. The member has been protected under Option I since age 60. However, the pre-retirement charge period under Option I begins at age 63 and ends at age 65.

Attached to Administrative Rule 905 is a question and answer sheet that the Board has prepared in the hopes that it may further your understanding of the Joint and Survivor Options of the Benefits Plan.

A DISCUSSION ABOUT JOINT AND SURVIVOR OPTIONS

1. Q: **I know that Joint & Survivor options have something to do with my retirement pension, but what exactly is their purpose?**

A: *The purpose of electing a Joint & Survivor Option is to provide a larger survivor's pension upon your death.*

2. Q: **Can you explain, in simple language, what the four options are?**

A: *First, let me explain t the "normal form" retirement pension .*

Under the "normal form" of retirement pension, your survivor will receive 50% of the pension credits accrued at the time of your death.

The four Options are as follows:

I *Joint & Survivor Option I provides a reduced retirement pension payable at your retirement. Upon your death, your spouse will receive 75% of this reduced pension for life.*

II *Joint & Survivor Option II provides an adjusted retirement pension payable at your retirement. Upon the death of either you or your spouse, the survivor will receive 75% of this adjusted pension for life.*

III *Joint & Survivor Option III provides an adjusted retirement pension payable at your retirement. Upon the death of either you or your spouse, the survivor will receive 66 2/3% of this adjusted pension for life.*

IV *Joint & Survivor Option IV provides a reduced retirement pension payable at your retirement. Upon the death of either you or your spouse, the survivor will receive 100% of this reduced pension for life.*

3. Q: **How can I determine which option,- if any,- is best for me?**

A: *The selection of a Joint & Survivor Option depends on your individual financial circumstances as well as the health of you and your spouse. To get a clearer picture of the options and their benefits, they are outlined here in the order of the most expensive to least expensive.*

<u>Option</u>	<u>Benefit</u>
IV	100% to survivor
I	75% to spouse
II	75% to survivor
III	66 2/3% to survivor

A DISCUSSION ABOUT JOINT AND SURVIVOR OPTIONS-cont.

The Board can project for you the amount of your retirement and survivor pensions under any of these options.

4. Q: **When can I elect a Joint & Survivor option? When does it actually become effective?**

A: *You can elect a Joint & Survivor Option at any time before retirement. You can elect the option to become effective as early as age 55 so your spouse has protection under the option should you die before retiring. You can also elect the option to become effective as of the day you retire.*

5. Q: **I'm receiving a disability benefit from the Board. Can I elect a Joint & Survivor Option?**

A: *Yes, as long as your marriage occurred prior to the commencement of your disability benefit.*

6. Q: **If I elect an option, can I change it or cancel it any time prior to retirement? How about after I retire?**

A: *You can change or cancel an option at any time prior to retirement. Once you are receiving benefits under an option, you cannot change or cancel the option.*

7. Q: **If I cancel or change an option, are my pension credits affected?**

A: *Yes, if the option is canceled or changed during the pre-retirement protection period.*

8. Q: **What do you mean by the pre-retirement protection period?**

A: *When you elect a Joint & Survivor Option to become effective prior to retirement, "protection" under that option is in place for your spouse should you die after age 55 but before retirement. Along with this added protection comes a "charge" in the form of a reduction in your accrued pension credits. If you then cancel or change the option prior to retirement, your accrued pension credits are adjusted by a factor (determined by the Board's Actuary) which considers that you were protected under that option for a period of time. (In concept, this is similar to taking out an automobile insurance policy and then canceling it. The insurance company will not refund your entire premium, as you did have coverage for a period of time, even if you did not submit any claims.)*

A DISCUSSION ABOUT JOINT AND SURVIVOR OPTIONS-cont.

Under Options I, II, & III, the pre-retirement period is applicable during the ages 63 through 65. Under Option IV, the pre-retirement period is applicable during the ages 59 through 65.

If you elect to have your Joint & Survivor's Option go into effect as of the date you retire, there will be no charge for pre-retirement protection.

9. Q: **I am no longer active in the Plan. Can I still elect a Joint & Survivor Option if I am not a “Currently Protected” member?**

A: *Yes, as long as you have not begun to draw your retirement benefits, you can elect a Joint & Survivor Option to go into effect immediately or as of the date you retire.*

10 Q: **I still feel I need more information. Who can I contact?**

A: *For more information on the Joint & Survivor Option, please contact the Board at 1-800-773-7752.*

**BOARD OF PENSIONS
ADMINISTRATIVE RULES**

Section:	9 (Pension Credits)	Subject:	PENSION CREDIT REDUCTION FOR A PRE- RETIREMENT SURVIVOR OPTION ELECTED PRIOR TO JANUARY 1, 2007
Rule Number:	905		
Reference:		Resource:	Pension Benefits
Article VIII, Section 8.4		Original Date:	10/91
Article IX, Section 9.1		Revision Date:	6/95, 4/97, 3/98, 2/03, 1/07

Effective January 1, 2007, there are no pre-retirement Joint and Survivor Options available under the Benefits Plan. Prior to January 1, 2007, the Plan allowed an active or terminated member to elect a Joint and Survivor Option with an effective date prior to his or her retirement Benefit Commencement Date. This option allowed the member to elect additional survivor protection in the event of death prior to retirement. Members were charged for this additional protection through reduced pension credits, which then resulted in a lower pension benefit at retirement.

Effective January 1, 2007, this optional pre-retirement survivor protection is no longer available.

- A member may still elect a Joint and Survivor Option prior to retirement but that election will not be effective until the member's retirement Benefit Commencement Date. At the time of retirement, the Board will provide a member who has pre-elected a Joint and Survivor Option an opportunity to change the election.
- Any reduction in the pension credits of active or terminated members for pre-retirement survivor protection in effect prior to January 1, 2007 will be eliminated.
- All elections of Option I or III will be cancelled effective January 1, 2007. The improvement in the survivor benefit effective January 1, 2007 provides a benefit at least as large as the benefit under Option I or III.
- Elections of Options II or IV will also be cancelled except as noted below.
- Any reduction in the pension of retired members or survivors for pre-retirement protection prior to January 1, 2007 will continue unchanged.

An exception will be made to the above rules for active and terminated vested members who had Option II or IV in effect on December 31, 2006. Options II and IV may provide larger survivor benefits than the pre-retirement survivor benefit provided to all members

effective January 1, 2007. These members will be allowed to choose one of the following:

- Waive the option as of January 1, 2007, and accept the survivor benefit which is provided to all Plan members. At retirement or death, there will be no reduction in pension benefits for the period during which the option was actually in place, or
- Retain the option with a reduced pension benefit at retirement. The option would be retained under the terms and conditions of the Plan in effect on December 31, 2006.

A mailing will be sent to all affected members explaining this choice. Any member who wishes to retain the option must so indicate in writing by returning the appropriate form to the Board prior to January 1, 2007. Any member who does not respond will lose the option previously elected and receive the survivor benefit provided to all Plan members. (Member Services staff will attempt to reach any affected member whose written election has not been received before terminating the option.)

Any member who initially chooses to retain the option may later cancel that election. In addition, the election will be automatically cancelled upon the death of the member's spouse or the divorce of the member (unless a court order keeps the survivor option in effect). In any case, the member will be charged for the period of time the protection was in place under the terms of the Plan in effect on December 31, 2006.