

§18404. Methods of payment

Except as provided in subsection 6, payment of a service retirement benefit shall begin on the first day of the month following the month in which the qualifying member becomes eligible to receive payment of the member's service retirement benefit under section 18451 or 18507. A full month's benefit shall be paid to the beneficiary or estate of the recipient for the month in which the member dies. A qualifying member may select payments in one of the following methods. [PL 1989, c. 95, §16 (AMD).]

1. Full benefits. All retirement benefits shall be payable for life in equal monthly installments with no further payment made after the month in which the retiree dies. If a participating local district adopts section 18454, the benefits set forth in section 18454 will be considered full benefits for purposes of this section.

[PL 1987, c. 256, §32 (AMD).]

2. Option 1. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and at the qualifying member's death to have the excess, if any, of the qualifying member's accumulated contributions at the time of retirement over the portion of the total retirement benefit payments actually made to the qualifying member while alive, which is the actuarial equivalent amount to the accumulated contributions, paid in a lump sum to the beneficiary the qualifying member has nominated by written designation duly acknowledged and filed with the chief executive officer or, if no one has been nominated as beneficiary, to the qualifying member's estate. Contributions deducted from the compensation of a teacher before July 1, 1947 or required of a teacher for service credit before July 1, 1947 may not be included in the accumulated contributions.

[RR 2023, c. 2, Pt. B, §137 (COR).]

3. Option 2. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and at the qualifying member's death to have the benefit continued in the same amount for the life of the beneficiary the qualifying member has nominated by written designation duly acknowledged and filed with the chief executive officer at the time of retirement, if the beneficiary survives the qualifying member.

[RR 2023, c. 2, Pt. B, §138 (COR).]

4. Option 3. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and at the qualifying member's death to have the benefit continued at 1/2 the amount for the life of the beneficiary the qualifying member has nominated by written designation duly acknowledged and filed with the chief executive officer at the time of retirement, if the beneficiary survives the qualifying member.

[RR 2023, c. 2, Pt. B, §139 (COR).]

5. Option 4.

[PL 1999, c. 744, §12 (RP); PL 1999, c. 744, §17 (AFF).]

5-A. Option 4. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and at the qualifying member's death to have some benefit other than that available under subsection 3 or 4 payable to the beneficiary that the qualifying member has designated, if the beneficiary survives the qualifying member. The total value of the benefit paid to the qualifying member during the qualifying member's life plus the benefit paid after the qualifying member's death is the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. The method used to determine the benefit must be approved by the board, and the beneficiary must be designated by written designation, duly acknowledged and filed with the chief executive officer on a form provided or specified by the retirement system.

[PL 2021, c. 548, §37 (AMD).]

5-B. Option 5. The qualifying member may elect to have a reduced retirement benefit payable in part to the qualifying member and in part to the beneficiary, who must be the sole beneficiary, while both are alive and, at the death of either, to have the higher benefit paid to the survivor for the survivor's life. The total value of the benefit paid to the qualifying member and beneficiary, during the qualifying member's life, plus the benefit to be paid after the death of either is the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. The method used to determine the benefit must be approved by the board, and the beneficiary must be designated by written designation, duly acknowledged and filed with the chief executive officer on a form provided or specified by the retirement system.

[PL 2021, c. 548, §38 (AMD).]

5-C. Option 6. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and, at the qualifying member's death, to have the benefit continued in the same amount for the life of the beneficiary, who must be the sole beneficiary, that the qualifying member has designated by written designation, duly acknowledged and filed with the chief executive officer on a form provided or specified by the retirement system, if the beneficiary survives the qualifying member. If the qualifying member's beneficiary predeceases the qualifying member, the qualifying member's benefit must be changed, effective the first day of the month following the date of the beneficiary's death, to be the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. The reduced retirement benefit must be actuarially calculated to reflect the fact that the benefit may be changed to the larger amount should the beneficiary predecease the member.

[PL 2021, c. 548, §39 (AMD).]

5-D. Option 7. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and, at the qualifying member's death, to have the benefit continued at 1/2 that amount for the life of the beneficiary, who must be the sole beneficiary, that the qualifying member has designated by written designation, duly acknowledged and filed with the chief executive officer on a form provided or specified by the retirement system, if the beneficiary survives the qualifying member. If the qualifying member's beneficiary predeceases the qualifying member, the qualifying member's benefit must be changed, effective the first day of the month following the date of the beneficiary's death, to the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. The reduced retirement benefit must be actuarially calculated to reflect the fact that the benefit may be changed to the larger amount should the beneficiary predecease the member.

[PL 2021, c. 548, §40 (AMD).]

5-E. Option 8. The qualifying member may elect to have a reduced retirement benefit payable to the qualifying member while alive and at the qualifying member's death to have some benefit other than that available under subsection 3 or 4 payable to the beneficiary, who must be the sole beneficiary, that the member has designated, if the beneficiary survives the qualifying member. The total value of the benefit paid to the qualifying member plus the benefit paid after the qualifying member's death is the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. If the qualifying member's beneficiary predeceases the qualifying member, the qualifying member's benefit must be changed, effective the first day of the month following the date of the beneficiary's death, to be the actuarial equivalent of the benefit that the qualifying member would have received without optional modification. The reduced retirement benefit must be actuarially calculated to reflect the fact that the benefit may be changed to the larger amount should the beneficiary predecease the member.

[PL 2001, c. 118, §8 (AMD).]

5-F. Change of beneficiary. If the recipient of a service retirement benefit has elected an optional method of payment under subsection 3, 4, 5, 5-A, 5-B, 5-C, 5-D or 5-E and has designated someone

other than a spouse or ex-spouse as sole beneficiary, the recipient is permitted a one-time change in the designated beneficiary except as provided in paragraph D, but may not change the already elected payment option or the amount of the benefits under that option, by filing a written designation of the new beneficiary, duly acknowledged with the chief executive officer on a form provided or specified by the retirement system. The change of beneficiary permitted by this subsection may only be made prior to the death of the prior designated beneficiary.

A. The benefit payable to the recipient and the new beneficiary must be paid under the same payment option. The amount of the recipient's benefit may not change, and the amount of the new beneficiary's benefit must be the same as the amount of the prior beneficiary's benefit. [PL 1999, c. 744, §13 (NEW); PL 1999, c. 744, §17 (AFF).]

B. The effective date of the designation of the new beneficiary is the date the designation is received by the chief executive officer. As of the first day of the month following the effective date of the designation of the new beneficiary, the prior beneficiary is no longer entitled to any benefit payment and, if concurrent payment under subsection 5-B has been elected, the new beneficiary's benefit must become effective on the same date. [PL 2021, c. 548, §41 (AMD).]

C. The new beneficiary's entitlement to benefits ceases on the earlier of:

(1) The date of the new beneficiary's death; or

(2) The date established when the amount of the prior beneficiary's benefit was established, which is the initial commencement date of benefits to the retiree increased by the life expectancy of the prior beneficiary computed in years and months using actuarial equivalence assumptions recommended by the system's actuary.

Payment of benefits to the new beneficiary must cease as of the first day of the month following the earlier of subparagraphs (1) and (2). [PL 2021, c. 548, §41 (AMD).]

D. A recipient who exercises a one-time option under this subsection may revert back to the original designated beneficiary, who will be treated as the new beneficiary for purposes of paragraphs A to C. [PL 2007, c. 523, §3 (NEW).]

[PL 2021, c. 548, §41 (AMD).]

6. Monthly payment of \$10 or less. If the monthly benefit payable to a qualifying member or the beneficiary of a qualifying member is \$10 or less, there shall be paid, in lieu of those payments, a lump sum which is the actuarial equivalent, on the date the first monthly payment would otherwise be paid, of the benefit to which the qualifying member or beneficiary is entitled. A beneficiary who receives a lump sum payment under this subsection shall not forfeit any other benefit to which the beneficiary would be entitled if the beneficiary were receiving a monthly benefit payment.

[PL 1989, c. 95, §17 (NEW).]

7. Notice to spouse. A qualifying member who is married on the effective date of retirement, who elects the method of payment under subsection 1, or who elects a method of payment other than that provided under subsection 1 and who designates a beneficiary other than the qualifying member's spouse must notify the spouse that the spouse is not the beneficiary. Proof that the spouse has been notified must be provided:

A. By written certification of the spouse, duly acknowledged and filed with the chief executive officer, on a form provided or specified by the retirement system, indicating that notice has been received from the qualifying member; or [PL 2021, c. 548, §42 (AMD).]

B. When notice has been given but certification by the spouse has not been provided, by written certification of the qualifying member, duly acknowledged and filed with the chief executive officer, on a form provided or specified by the retirement system, indicating that notice has been given to the spouse. [PL 2021, c. 548, §43 (AMD).]

Payment of the qualifying member's service benefit may not commence until certification has been received by the chief executive officer.

[PL 2021, c. 548, §§42, 43 (AMD); PL 2021, c. 548, §45 (REV).]

SECTION HISTORY

PL 1985, c. 801, §§5,7 (NEW). PL 1987, c. 256, §§31-33 (AMD). PL 1989, c. 95, §§16,17 (AMD). PL 1999, c. 744, §§12-14 (AMD). PL 1999, c. 744, §17 (AFF). PL 1999, c. 790, §K2 (AMD). PL 1999, c. 790, §K5 (AFF). PL 2001, c. 118, §8 (AMD). PL 2007, c. 523, §3 (AMD). PL 2021, c. 548, §§37-43 (AMD). PL 2021, c. 548, §45 (REV). RR 2023, c. 2, Pt. B, §§137-139 (COR).

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