

OPTIONAL SETTLEMENT 4

I. PURPOSE

The Board of Retirement ("Board") of the Sonoma County Employees' Retirement Association ("SCERA") adopts this policy to establish guidelines and procedures for the implementation of Optional Settlement 4, Government Code Section 31764, in order to allow members to designate a person or persons to receive survivor benefits pursuant to that section.

Government Code Section 31764 offers a benefit to the member with continuing benefits to designated persons. The election may not place any additional financial burden on the retirement system, as determined by the Board and its actuary.

The Board has determined that all requests under Government Code Section 31764, including all designations of more than one continuing benefit beneficiary by the member, must meet the requirements of Optional Settlement 4, as outlined in this Policy.

In order to mitigate administrative costs and burden, the Board has determined that requests under Optional Settlement 4 that meet the criteria set forth in this Policy may be approved by SCERA staff and shall not require separate Board approval.

II. AUTHORITY

The County Employees' Retirement Law of 1937 (Government Code sections 31450, *et seq.*) provides:

§ 31760. Election of actuarial equivalent of retirement allowance

Until the first payment of any retirement allowance is made, a member or retired member, in lieu of the retirement allowance for his life alone, may elect to have the actuarial equivalent of his retirement allowance as of the date of retirement applied to a lesser retirement allowance payable throughout life in accordance with one of the optional settlements specified in this article.

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§31764. Optional settlement 4

Optional settlement 4 consists of the right to elect in writing to have a retirement allowance paid him or her until his or her death and thereafter to have other benefits as are approved by the board, upon the advice of the actuary, continued throughout the life of and paid to the persons, having an insurable interest in his or her life, as

he or she nominates by written designation duly executed and filed with the board at the time of his or her retirement. The designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

III. POLICY

A request for an Optional Settlement 4 calculation may be made by a member, the member's spouse, the member's ex-spouse or legal counsel for any of them. The request shall be made in writing on a form or forms approved by the SCERA Chief Executive Officer and meet all the criteria below.

The Board hereby approves requests for the designation of a beneficiary or beneficiaries under Optional Settlement 4, provided the following criteria are met:

- A. The election of Optional Settlement 4 and the designation of a beneficiary or beneficiaries are made in writing and signed by the member;
- B. The designated person(s) each have an "insurable interest" in the member's life, as defined by law, and each receive a single life benefit without reversion or continuance on the death of that person;
- C. The system has determined that the total benefits to be paid pursuant to the election shall be the actuarial equivalent of the member's single life unmodified retirement allowance, as required by Government Code Section 31760;
- D. The designation will not, in the opinion of SCERA and the actuary, place any additional burden upon the retirement system;
- E. The continued benefits to the designated person(s) meet all applicable Internal Revenue Service regulations and requirements;
- F. The cost of determining the final amount of the Option 4 benefit and certification of the proposed request, will be paid by SCERA. SCERA can provide estimates of the impact on a member's benefit and proposed continuance benefits, but if the member requires a formal actuarial estimate before making the final Option 4 election, the member will pay SCERA \$750 for one beneficiary and \$250 for each additional beneficiary; and
- G. The fee provision in item F, above, including the fee amount, is subject to change based on the Board's determination of the financial and administrative burden to the system in processing and approving requests under Optional Settlement 4.

IV. REVIEW

The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

V. HISTORY

The Board adopted this policy on 8/21/2014.

Reviewed and revised on 12/14/17, 7/22/2021 and 7/18/2024.