

Memorandum

MEETING DATE

MAY 02 2012

AGENDA ITEM
#6

Date: May 2, 2012

To: Board of Retirement

From: Marilyn Leedom, Chief Executive Officer
Kurt Schneider, Deputy Chief Executive Officer
Karen Levy, General Counsel

Subject: Consideration of Adoption of Policy Regarding
the Designation of More Than One Person To Receive Benefits
Under Optional Settlement 4 – Govt. Code Section 31764

Issue Presented

The Retirement Board has requested a draft policy addressing Optional Settlement 4. Enclosed for the Board's consideration are two alternative policies setting forth guidelines and procedures for the implementation of Optional Settlement 4 in accordance with the requirements set forth in the County Employees Retirement Law of 1937 ("CERL"), authorizing staff to accept these designations as long as the CERL requirements are met. We have also included staff's previous memorandum presented at the March 14, 2012 meeting, as well as the educational presentation materials from the April 11, 2012 meeting.

As previously discussed and considered by the Board, one key condition for allowing an Optional Settlement 4 designation is that the designation must not "in the opinion of the board and the actuary, place any additional burden upon the retirement system." (Government Code § 31764). To that end, the enclosed Policy 1 includes a \$500 charge to the member for the cost of the Board's actuary's calculation. The enclosed Policy 2 does not include any charges to the member, but would require the Board to determine that the cost of the actuarial calculation does not place any additional burden upon the retirement system.

Summary

As previously discussed, the County Employees Retirement Law of 1937 ("CERL") allows the designation of more than one person as a beneficiary for optional settlements under Government Code Section 31764 entitled "Optional Settlement 4." Optional Settlement 4 offers a reduced benefit to the member (i.e., lower than an unmodified allowance would pay the member) for the member's lifetime, and thereafter, benefits to more than one designated persons. A member's beneficiary designation under section 31764 must not, "in the opinion of the board and the actuary, place any additional burden upon the retirement system." The Board may, therefore, accept the designation of more than one person as a beneficiary under Optional Settlement 4, so long as certain conditions are met, as set forth fully in this memorandum and the enclosed suggested "Optional Settlement 4" policies, prepared at the Board's request. Absent a policy, the Board must continue to consider and approve Optional Settlement 4 elections by member on a case-by-case basis. This may cause some delay in the processing of members' retirement, as

each request must continue to be presented and approved by the Board at a duly noticed public Retirement Board meeting.

Analysis

The CERL allows members to retire with an “unmodified” retirement benefit, which is the maximum benefit available to the member and a 60% continuance to the surviving spouse or minor children to be paid after the member’s death. (Section 31760.2.) In lieu of the “unmodified” allowance, the CERL allows members to elect one of four “optional settlement” benefits which provide a reduced benefit to the member for the member’s lifetime, and a higher benefit to a designated person upon the member’s death. (Sections 31761-31764.) The “optional settlement” must be the actuarial equivalent of the member’s “unmodified” allowance at the time of retirement. (Section 31760.)

One of the four “optional settlement” provisions, titled “Optional Settlement 4,” allows the designation of more than one person to receive benefits after the member’s death. (Section 31764.) Optional Settlement 4 provides:

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.

(Government Code § 31764) (emphasis added.)

This provision authorizes the Retirement Board to accept a member’s designation of more than one person under Optional Settlement 4, provided the following conditions are met:

1. The election must be made by the member in writing;
2. The designated persons must each have an “insurable interest”¹ in the member’s life;
3. The total benefits to be paid pursuant to the election must be the actuarial equivalent of an unmodified retirement allowance, as required by Government Code Section 31760;
4. The designation must not, in the opinion of the board and the actuary, place any additional burden upon the retirement system. To that end, the system has

¹ “Insurable Interest” means an interest based upon a reasonable expectation of pecuniary advantage through the continued life, health, or bodily safety of another person and consequent loss by reason of that person’s death or disability or a substantial interest engendered by love and affection in the case of individuals closely related by blood or law. All four optional settlement provisions in the CERL require that the designated beneficiary be a person with an insurable interest in the member’s life. (See Govt. Code §§ 31761; 31762; 31763 and 31764.)

determined after consulting with the Segal Company about the cost of these calculations, that the cost of determining the benefit and continuance amounts of designations of more than one person under optional settlements would be approximately \$500 for each such request; and

5. The amount paid to a member's beneficiary (or beneficiaries) may not exceed the maximum prescribed by Section 401(a)(9)(G) of the Internal Revenue Code, as set forth in Section 5.E of the Board of Retirement Policy on Internal Revenue Code Compliance, adopted on December 8, 2010.

So long as the requirements set forth above are met, the CERL authorizes the designation of more than one person to receive an allowance after the member's death under "Optional Settlement 4."

Conclusion

The CERL allows the designation of more than one person to receive an allowance after the member's death under "Optional Settlement 4." So long as the requirements set forth in the CERL are met, the retirement system must accept these designations.

Enclosed for the Board's consideration are two alternative policies setting forth guidelines and procedures for the implementation of Optional Settlement 4 in accordance with the requirements set forth in the CERL, authorizing staff to accept these designations as long as the CERL requirements are met. Policy 1 considers the cost of the calculation by the Board's independent actuary to be an additional cost to the system, and authorizes charging this fee to the member, as is done by several other '37 Act systems. Policy 2 presents the alternative of charging no fee to the member, but requires the Board's determination that the Optional Settlement 4 designations would not place any additional burden upon the retirement system.

Policy 1

BOARD OF RETIREMENT
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
OPTIONAL SETTLEMENT 4 POLICY

(Adopted __/__/2012)

PURPOSE

The Board of Retirement ("Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") 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 more than one person to receive survivor benefits. Government Code Section 31764 offers a benefit to the member with continuing benefits to more than one designated person. The election may not place any additional financial burden on the retirement system, as determined by the Retirement Board and its actuary. The Board has determined that all requests to designate more than one person (including under other Optional Settlements chosen by the member before retirement) 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 CCCERA staff and shall not require separate Board approval.

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.

* * *

§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.

POLICY

The Board hereby approves requests for the designation of more than one person as a beneficiary under Optional Settlement 4, provided that the member demonstrates the following:

1. The request is made in writing and is signed by the member;
2. The designated persons are persons who each have an "insurable interest" in the member's life, as defined by law;
3. The system has determined that the total benefits to be paid pursuant to the election shall be the actuarial equivalent of an unmodified retirement allowance, as required by Government Code Section 31760;
4. The system has determined that the designation will not place any additional financial burden upon the retirement system, as required in Government Code Section 31764;
5. The continued benefits to the designated persons meet all applicable Internal Revenue Service regulations and requirements; and
6. The member shall have paid the additional cost of determining the final amount and qualification of the proposed request, in the amount of \$500 for each such actuarial verification. This 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.

Member elections of other optional settlements (pursuant to Government Code Sections 31762 and 31763) that include designation of more than one beneficiary shall be treated as elections of Optional Settlement 4 and shall be required to meet the criteria set forth in this Policy in order to be approved by the Board.

A member's request for an Optional Settlement 4 calculation shall be made in writing on a form or forms approved by the CCCERA Chief Executive Officer and accompanied by the processing payment indicated in item 6, above.

Policy 2

(redlined)

BOARD OF RETIREMENT
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

OPTIONAL SETTLEMENT 4 POLICY

(Adopted __/__/2012)

PURPOSE

The Board of Retirement ("Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") 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 more than one person to receive survivor benefits. Government Code Section 31764 offers a benefit to the member with continuing benefits to more than one designated person. The election may not place any additional financial burden on the retirement system, as determined by the Retirement Board and its actuary. The Board has determined that all requests to designate more than one person (including under other Optional Settlements chosen by the member before retirement) 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 CCCERA staff and shall not require separate Board approval.

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.

* * *

§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.

POLICY

The Board hereby approves requests for the designation of more than one person as a beneficiary under Optional Settlement 4, provided that the member demonstrates the following:

1. The request is made in writing and is signed by the member;
2. The designated persons are persons who each have an "insurable interest" in the member's life, as defined by law;
3. The system has determined that the total benefits to be paid pursuant to the election shall be the actuarial equivalent of an unmodified retirement allowance, as required by Government Code Section 31760;
4. ~~The system has determined that the designation will not place any additional financial burden upon the retirement system, as required in Government Code Section 31764~~he designation will not, in the opinion of the board and the actuary, place any additional burden upon the retirement system. To that end, the Board has determined that the processing and approving requests under Optional Settlement 4, including the use of actuarial services, would not place additional burden on the system;
5. The continued benefits to the designated persons meet all applicable Internal Revenue Service regulations and requirements; and
6. ~~The member shall have paid the administrative cost of determining the amount and qualification of the proposed request, in the amount of \$500 for each such request. This 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.~~

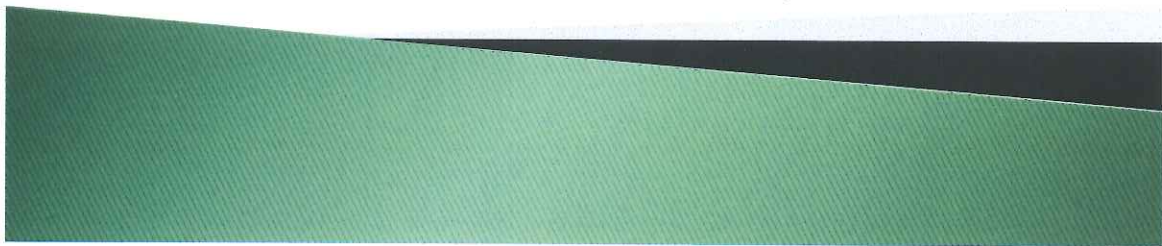
Member elections of other optional settlements (pursuant to Government Code Sections ~~31761~~, 31762 and 31763) that include designation of more than one beneficiary shall be treated as elections of Optional Settlement 4 and shall be required to meet the criteria set forth in this Policy in order to be approved by the Board.

A member's request for an Optional Settlement 4 calculation shall be made in writing on a form or forms approved by the CCCERA Chief Executive Officer ~~and accompanied by the processing payment indicated in item 6, above.~~



Options at Retirement Under County Employees Retirement Law of 1937

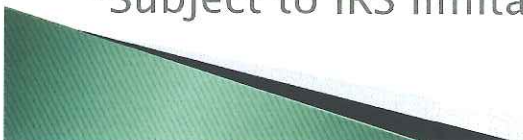
April 11, 2012



CERL Optional Settlements

- ▶ Unmodified: Survivor receives 60% continuance; if no survivor a lump may be paid to the estate
- ▶ Option 1: Survivor receives remaining account balance as a lump sum
- ▶ Option 2: Survivor receives 100%* continuance
- ▶ Option 3: Survivor receives 50% continuance
- ▶ Option 4: Survivors receives continuance approved by the Board*

*Subject to IRS limitations under Board policy



Unmodified Allowance

- ▶ Provides for the maximum retirement allowance to the member
- ▶ Provides for a benefit after the member's death
 - If there is an "eligible spouse"
 - 60% continues to the spouse for life
 - If there is no eligible spouse
 - 60% continues to the "child or children" (see definition of child below)
 - If there are no surviving spouse or children
 - If the member's total retirement benefits received did not exceed the member's accumulated contributions with interest, the beneficiary or estate receives the excess contributions with interest as a lump sum
- ▶ Definitions applicable to unmodified option
 - Eligible spouse:
 - Married or partnered at least one year prior to retirement
 - Otherwise both of the following conditions must be met
 - Married or partnered at least two years prior to the date of death, and
 - Has attained the age of 55* years on or prior to the date of death.
 - Child:
 - Under 18 years old and unmarried, or
 - Under 22 years old, unmarried, and enrolled as a full-time student in an accredited school

Optional Settlements

- ▶ Election must be made in writing
- ▶ Election is irrevocable
- ▶ The designated beneficiaries must each have an "insurable interest" in the member's life
- ▶ The total benefits to be paid must be the actuarial equivalent of an unmodified retirement allowance, as required by CERL §31760
- ▶ The amount paid to a member's beneficiaries may not exceed the maximum prescribed by Section 401(a)(9)(G) of the Internal Revenue Code, as set forth in Section 5.E of the Board of Retirement Policy on Internal Revenue Code Compliance, adopted on December 8, 2010
- ▶ Each optional settlement pays a reduced allowance for the life of the member. The reduced amount is calculated by staff using methodology approved by the actuary.
 - "Insurable interest" means an interest based upon a reasonable expectation of pecuniary advantage through the continued life, health, or bodily safety of another person and consequent loss by reason of that person's death or disability or a substantial interest engendered by love and affection in the case of individuals closely related by blood or law.

Optional Settlement 1

- ▶ Upon the member's death, a lump sum equal to the member's accumulated contributions with interest minus the total "annuity payments" is paid to the member's beneficiary or estate
- ▶ The "annuity payments" are the portion of the retirement allowance paid for by the member's accumulated contributions
- ▶ This results in a larger lump sum than the unmodified option
- ▶ Can take 10 or more years for the annuity payments to exceed the member's accumulated contributions
- ▶ There is no monthly continuance



Optional Settlement 2

- ▶ Upon the member's death, a continuance equal to 100%* of the member's retirement allowance continues to the beneficiary
- * The continuance percentage can be less than 100% in order to comply with Internal Revenue Code (IRC) §401(a)(9)(G)
- If the beneficiary is not the spouse and is significantly younger than the member, the continuance percentage must sometimes be less than 100%
 - The application of this limit results in a larger allowance to the member and a smaller allowance to the beneficiary



IRS Minimum Distribution Rules

- ▶ In order to comply with IRC §401(a)(9)(G) the Board adopted a policy that the continuance percentage would not exceed the amount in Treasury Regulation 1.401(1)(9)-6, Q&A-2
- ▶ This does not affect Options 1 or 3
- ▶ The maximum continuance percentage depends on
 - Whether there is a beneficiary who is not the spouse
 - The age of the member at retirement
 - The age of the youngest beneficiary at retirement
- ▶ The maximum continuance percentage is 100% if the only beneficiary is the member's spouse, regardless of age, or if the beneficiary is not more than 10 years younger than the member

Treasury Regulation 1.401(1)(9)-6, Q&A-2

- ▶ This calculation is not required if the only beneficiary is the member's spouse
- ▶ The "age difference" is the age of the member at retirement minus the age of the youngest beneficiary
- ▶ The "adjusted age difference" is the age difference minus the number of years the member is less than 70
- ▶ The maximum continuance percentage payable to all beneficiaries cannot exceed the percentage that corresponds to the adjusted age difference in the table

Adjusted age difference	Continuance (Percent)	Adjusted age difference	Continuance (Percent)
10 years or less	100	28.....	62
11.....	96	29.....	61
12.....	93	30.....	60
13.....	90	31.....	59
14.....	87	32.....	59
15.....	84	33.....	58
16.....	82	34.....	57
17.....	79	35.....	56
18.....	77	36.....	56
19.....	75	37.....	55
20.....	73	38.....	55
21.....	72	39.....	54
22.....	70	40.....	54
23.....	68	41.....	53
24.....	67	42.....	53
25.....	66	43.....	53
26.....	64	44 and greater	52
27.....	63		

Examples*

	Example 1	Example 2	Adjusted age difference	Continuance (Percent)	Adjusted age difference	Continuance (Percent)
Member's age at retirement	65	51	10 years or less	100	28.....	62
Youngest beneficiary's age	-35	-27	11.....	96	29.....	61
Age difference	30	24	12.....	93	30.....	60
Years member is younger than age 70	-5	-19	13.....	90	31.....	59
Adjusted age difference	25	5	14.....	87	32.....	59
The maximum continuance percentage	66	100	15.....	84	33.....	58
			16.....	82	34.....	57
			17.....	79	35.....	56
			18.....	77	36.....	56
			19.....	75	37.....	55
			20.....	73	38.....	55
			21.....	72	39.....	54
			22.....	70	40.....	54
			23.....	68	41.....	53
			24.....	67	42.....	53
			25.....	66	43.....	53
			26.....	64	44 and greater	52
			27.....	63		

* This calculation is not required if the only beneficiary is the member's spouse

Optional Settlement 3

- ▶ Upon the member's death, a continuance equal to 50% of the member's retirement allowance continues to the beneficiary
- ▶ The IRS minimum distribution rules never limit the continuance percentage to less than 52%, so the continuance under this option is always 50%

Optional Settlement 4

- ▶ Only option that allows for multiple beneficiaries
- ▶ Only option that does not specify the continuance amount
 - The continuance is the benefit “approved by the Board, upon the advice of the actuary, continued throughout the life of” the beneficiaries
- ▶ Only option that specifies that “the designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system”
 - CCCERA’s actuary has already confirmed that under certain guidelines the designation would not place any additional burden on the System
 - The Board could set guidelines to approve the benefit or could approve each request on a case by case basis
 - Some CERL systems charge the member for calculations involving multiple beneficiaries to alleviate additional burden on the system
- ▶ The maximum continuance percentage is calculated in the same manner as it is for Option 2
- ▶ The reduced benefit amount could be calculated using a procedure analogous to that used for Options 1–3

Other Considerations

- ▶ What other CERL systems are doing
- ▶ Divorces
- ▶ Other?

Multiple Beneficiaries at Other CERL Systems

- ▶ Of the 20 CERL systems, only 2 (Mendocino and Stanislaus) do not allow members to name multiple beneficiaries
- ▶ 5 systems charge members for calculations
- ▶ 1 more system is currently considering how much to charge
- ▶ 3 more systems indicated they will consider charging if requests become more frequent
- ▶ 1 system (Fresno) charges, but not for the first request as long as it is "Basic"

Example: Fresno Approach

- ▶ Board Policy defines "Basic" Option 4 as
 - Benefit structure specified in DRO to provide benefits to former spouse, or
 - Provides equal continuing benefits to multiple beneficiaries
- ▶ Board has pre-approved all requests for "Basic" Option 4 elections
- ▶ No charge to member for first "Basic" Option 4 calculation
- ▶ Member pays full cost for additional calculations or anything different from "Basic" Option 4
- ▶ Requests for benefit structures different from "Basic" Option 4 need to go to the Board for approval

Divorces

▶ Divorce prior to retirement

- Account is split in accordance with CERL Article 8.4 and a qualified domestic relations order (QDRO)
 - Former spouse awarded separate account
 - Upon Former spouse's retirement, he or she has same options as any other CCCERA member (i.e., can receive an unmodified allowance or a lower allowance pursuant to an Optional Settlement election)
 - Court orders dividing the pension are only enforceable against CCCERA if CCCERA was properly joined in the proceeding and the division terms can be complied with under the plan

Divorces (continued)

▶ Divorce after retirement

- CCCERA handles in accordance with the QDRO on a case by case basis
 - Former spouse is awarded portion of member's monthly pension
 - Former spouse has right to name beneficiary
 - Continuance terms determined by QDRO
 - No change to the optional settlement that was elected by member at retirement

Memorandum

Date: March 14, 2012

To: Board of Retirement

From: Marilyn Leedom, Chief Executive Officer
Kurt Schneider, Deputy Chief Executive Officer
Karen Levy, General Counsel

Subject: Designation of More Than One Person To Receive Benefits
Under Optional Settlement 4 – Govt. Code Section 31764

Issue Presented

From time to time, CCCERA members who wish to elect an optional settlement rather than an unmodified retirement allowance request to designate more than one person as their beneficiary to receive benefits after the member's death. A question arose recently regarding whether the retirement system may continue to allow members to designate more than one person as their beneficiary for optional settlements, and what steps need to be taken to allow such designations.

Brief Answer

The County Employees Retirement Law of 1937 ("CERL") allows the designation of more than one person as a beneficiary for optional settlements under Government Code Section 31764 entitled "Optional Settlement 4." Optional Settlement 4 offers a reduced benefit to the member (i.e., lower than an unmodified allowance would pay the member) for the member's lifetime, and thereafter, benefits to more than one designated persons. A member's beneficiary designation under section 31764 must not, "in the opinion of the board and the actuary, place any additional burden upon the retirement system." The Board may, therefore, accept the designation of more than one person as a beneficiary under Optional Settlement 4, so long as certain conditions are met, as set forth fully in this memorandum and the "Optional Settlement 4 Policy" enclosed herewith for the Board's consideration.

Analysis

The CERL allows members to retire with an "unmodified" retirement benefit, which is the maximum benefit available to the member and a 60% continuance to the surviving spouse or minor children to be paid after the member's death. (Section 31760.2.) In lieu of the "unmodified" allowance, the CERL allows members to elect one of four "optional settlement" benefits which provide a reduced benefit to the member for the member's lifetime, and a higher benefit to a designated person upon the member's death. (Sections 31761-31764.) The "optional settlement" must be the actuarial equivalent of the member's "unmodified" allowance at the time of retirement. (Section 31760.)

One of the four “optional settlement” provisions, titled “Optional Settlement 4,” allows the designation of more than one person to receive benefits after the member’s death. (Section 31764.) Optional Settlement 4 provides:

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.

(Government Code § 31764) (emphasis added.)

This provision authorizes the Retirement Board to accept a member’s designation of more than one person under Optional Settlement 4, provided the following conditions are met:

1. The election must be made by the member in writing;
2. The designated persons must each have an “insurable interest”¹ in the member’s life;
3. The total benefits to be paid pursuant to the election must be the actuarial equivalent of an unmodified retirement allowance, as required by Government Code Section 31760;
4. The designation must not, in the opinion of the board and the actuary, place any additional burden upon the retirement system. To that end, the system has determined after consulting with the Segal Company about the cost of these calculations, that the administrative cost of determining the amount and qualifications of designations of more than one person under optional settlements is \$500 for each such request; and
5. The amount paid to a member’s beneficiary (or beneficiaries) may not exceed the maximum prescribed by Section 401(a)(9)(G) of the Internal Revenue Code, as set forth in Section 5.E of the Board of Retirement Policy on Internal Revenue Code Compliance, adopted on December 8, 2010.

So long as the requirements set forth above are met, the CERL authorizes the designation of more than one person to receive an allowance after the member’s death under “Optional Settlement 4.”

¹ “Insurance Interest” means an interest based upon a reasonable expectation of pecuniary advantage through the continued life, health, or bodily safety of another person and consequent loss by reason of that person’s death or disability or a substantial interest engendered by love and affection in the case of individuals closely related by blood or law. All four optional settlement provisions in the CERL require that the designated beneficiary be a person with an insurable interest in the member’s life. (See Govt. Code §§ 31761; 31762; 31763 and 31764.)

Conclusion

The CERL allows the designation of more than one person to receive an allowance after the member's death under "Optional Settlement 4." So long as the requirements set forth in the CERL are met, the retirement system must accept these designations. Enclosed for the Board's consideration is a policy setting forth guidelines and procedures for the implementation of Optional Settlement 4 in accordance with the requirements set forth in the CERL, authorizing staff to accept these designations as long as the CERL requirements are met.

It should be noted that CCCERA may not allow any future requests for designations of more than one person under optional settlements unless each designation meets the requirements set forth in the CERL.