

SENATE, No. 2641

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JUNE 30, 2020

Sponsored by:

Senator JAMES W. HOLZAPFEL

District 10 (Ocean)

SYNOPSIS

Allows retiree to change designated beneficiary after retirement in event of divorce.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** concerning retirement allowance options in the Public
2 Employees' Retirement System and the Teachers' Pension and
3 Annuity Fund and amending P.L.1954, c.84 and N.J.S.18A:66-
4 47.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. Section 50 of P.L.1954, c.84 (C.43:15A-50) is amended to
10 read as follows:

11 50. At the time of retirement, a member shall receive benefits in
12 a retirement allowance payable throughout life, or the member may,
13 on retirement, elect to receive the actuarial equivalent of the
14 member's retirement allowance, in a lesser retirement allowance
15 payable throughout life, with the provision that:

16 Option 1. If the member dies before the member has received in
17 payments the present value of the retirement allowance as it was at
18 the time of retirement, the balance shall be paid to a legal
19 representative or to such person as the member shall nominate by
20 written designation acknowledged and filed with the retirement
21 system, either in a lump sum or by equal payments over a period of
22 years at the option of the payee. If the member shall have
23 designated a natural person as the payee, said payee may elect to
24 receive such payments in the form of a life annuity.

25 Option 2. Upon the member's death, the member's retirement
26 allowance shall be continued throughout the life of and paid to such
27 person as the member shall nominate by written designation duly
28 acknowledged and filed with the retirement system at the time of
29 retirement.

30 Option 3. Upon the member's death, one-half of the member's
31 retirement allowance shall be continued throughout the life of and
32 paid to such person as the member shall nominate by written
33 designation duly acknowledged and filed with the retirement system
34 at the time of retirement.

35 Option 4. Some other benefit or benefits shall be paid either to
36 the member or to whomever the member nominates, if such other
37 benefit or benefits, together with the lesser retirement allowance,
38 shall be certified by the actuary to be of equivalent actuarial value.
39 In no case, however, shall the lesser retirement allowance be
40 smaller than that provided under Option 2.

41 Option 5. Some other benefit, which is equivalent to the full
42 amount, three-quarters, one-half or one-quarter of the member's
43 retirement allowance, shall be paid to whomever the member
44 nominates and if that nominee dies before the member, the
45 member's retirement allowance shall increase to the maximum

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 retirement allowance for the member's lifetime, provided that such
2 other benefit together with the member's lesser and maximum
3 retirement allowances shall be certified by the actuary to be of
4 equivalent actuarial value.

5 If the total amount of benefits paid to a retirant who does not
6 elect to receive benefits in the form of an optional settlement, or to
7 the retirant and the designated beneficiary in the case of a retirant
8 who does so elect, before the death of the retirant or the retirant and
9 the beneficiary is less than the deductions accumulated in the
10 retirant's account at the time of retirement, including regular
11 interest, the balance shall be paid in one lump sum to the retirant's
12 designated beneficiary or estate in the manner provided in section
13 51 of P.L.1954, c.84 (C.43:15A-51).

14 Except in the case of members who have elected to receive (1) a
15 deferred retirement allowance pursuant to section 38 of P.L.1954,
16 c.84 (C.43:15A-38) or (2) early retirement allowances pursuant to
17 subsection b. of section 41 of P.L.1954, c.84 (C.43:15A-41) after
18 separation from service pursuant to section 38, if a member dies
19 within 30 days after the date of retirement or the date of board
20 approval, whichever is later, the member's retirement allowance
21 shall not become effective and the member shall be considered an
22 active member at the time of death. However, if the member dies
23 after the date the application for retirement was filed with the
24 system, the retirement will become effective if:

- 25 a. (Deleted by amendment, P.L.1995, c.221);
- 26 b. (Deleted by amendment, P.L.1995, c.221);
- 27 c. The deceased member had designated a beneficiary under an
28 optional settlement provided by this section; and
- 29 d. The surviving beneficiary requests in writing that the board
30 make such a selection. Upon formal action by the board approving
31 that request, the request shall be irrevocable.

32 The board may select an Option 3 settlement, on behalf of the
33 beneficiary of a member who applied for and was eligible for
34 retirement but who died prior to the effective date of the retirement
35 allowance, if all of the above conditions, with the exception of c.,
36 are met.

37 Under Options 1, 2, 3, and 4, and in the event of a divorce after
38 retirement, a member may, in writing duly acknowledged and filed
39 with the retirement system, withdraw the written designation for the
40 nominee from whom the retiree was divorced to receive the
41 member's retirement allowance or portion thereof, with the
42 authorization of the nominee in writing duly acknowledged and
43 filed with the retirement system, and may choose another nominee
44 to receive the member's retirement allowance, upon the member's
45 death, by written designation duly acknowledged and filed with the
46 retirement system

47 Under Option 5 and in the event of a divorce after retirement, a
48 member, may in writing duly acknowledged and filed with the

1 retirement system, withdraw the written designation for the
2 nominee from whom the retiree was divorced to receive the
3 member's retirement allowance or portion thereof, with the
4 authorization of the nominee in writing duly acknowledged and
5 filed with the retirement system, and all rights of the designated
6 nominee to such benefits shall cease. A member may not designate
7 another nominee to receive the member's retirement allowance
8 upon the member's death under this option.

9 (cf: P.L.2001, c.120, s.2)

10
11 2. N.J.S.18A:66-47 is amended to read as follows:

12 18A:66-47. At the time of retirement a member shall receive
13 benefits in a retirement allowance payable throughout life, or the
14 member may on retirement elect to receive the actuarial equivalent
15 of the member's retirement allowance, in a lesser retirement
16 allowance payable throughout life, with the provision that:

17 Option 1. If the member dies before the member has received in
18 payments the present value of the retirement allowance as it was at
19 the time of retirement, the balance shall be paid to a legal
20 representative or to such person as the member shall nominate by
21 written designation acknowledged and filed with the retirement
22 system, either in lump sum or by equal payments over a period of
23 years at the option of the payee. If the member shall have
24 designated a natural person as a payee, said payee may elect to
25 receive such payments in the form of a life annuity.

26 Option 2. Upon the member's death, the member's retirement
27 allowance shall be continued throughout the life of and paid to such
28 person as the member shall nominate by written designation duly
29 acknowledged and filed with the retirement system at the time of
30 retirement.

31 Option 3. Upon the member's death, one-half of the member's
32 retirement allowance shall be continued throughout the life of and
33 paid to such person as the member shall nominate by written
34 designation duly acknowledged and filed with the retirement system
35 at the time of retirement.

36 Option 4. Some other benefit or benefits shall be paid either to
37 the member or to whomever the member nominates, if such other
38 benefit or benefits, together with the lesser retirement allowance,
39 shall be certified by the actuary to be of equivalent actuarial value.
40 In no case, however, shall the lesser retirement allowance be
41 smaller than that provided under Option 2.

42 Option 5. Some other benefit, which is equivalent to the full
43 amount, three-quarters, one-half or one-quarter of the member's
44 retirement allowance, shall be paid to whomever the member
45 nominates and if that nominee dies before the member, the
46 member's retirement allowance shall increase to the maximum
47 retirement allowance for the member's lifetime, provided that such
48 other benefit together with the member's lesser and maximum

1 retirement allowances shall be certified by the actuary to be of
2 equivalent actuarial value.

3 If the total amount of benefits paid to a retirant who does not
4 elect to receive benefits in the form of an optional settlement, or to
5 the retirant and the designated beneficiary in the case of a retirant
6 who does so elect, before the death of the retirant or the retirant and
7 the beneficiary is less than the deductions accumulated in the
8 retirant's account at the time of retirement, including regular
9 interest, the balance shall be paid in one lump sum to the retirant's
10 designated beneficiary or estate in the manner provided in
11 N.J.S.18A:66-48.

12 Except in the case of members who have elected to receive (1) a
13 deferred retirement allowance pursuant to N.J.S.18A:66-36 or (2)
14 early retirement allowances pursuant to N.J.S.18A:66-37 after
15 separation from service pursuant to N.J.S.18A:66-36, if a member
16 dies within 30 days after the date of retirement or the date of board
17 approval, whichever is later, the member's retirement allowance
18 shall not become effective and the member shall be considered an
19 active member at the time of death. However, if the member dies
20 after the date the application for retirement was filed with the
21 system, the retirement will become effective if:

- 22 a. (Deleted by amendment, P.L.1995, c.221);
- 23 b. (Deleted by amendment, P.L.1995, c.221);
- 24 c. The deceased member had designated a beneficiary under an
25 optional settlement provided by this section; and
- 26 d. The surviving beneficiary requests in writing that the board
27 make such a selection. Upon formal action by the board approving
28 that request, the request shall become irrevocable.

29 The board may select an Option 3 settlement, on behalf of the
30 beneficiary of a member who applied for and was eligible for
31 retirement but who died prior to the effective date of the retirement
32 allowance, if all of the above conditions, with the exception of c.,
33 are met.

34 Under Options 1, 2, 3, and 4, and in the event of a divorce after
35 retirement, a member may, in writing duly acknowledged and filed
36 with the retirement system, withdraw the written designation for the
37 nominee from whom the retiree was divorced to receive the
38 member's retirement allowance or portion thereof, with the
39 authorization of the nominee in writing duly acknowledged and
40 filed with the retirement system, and may choose another nominee
41 to receive the member's retirement allowance, upon the member's
42 death, by written designation duly acknowledged and filed with the
43 retirement system

44 Under Option 5 and in the event of a divorce after retirement, a
45 member, may in writing duly acknowledged and filed with the
46 retirement system, withdraw the written designation for the
47 nominee from whom the retiree was divorced to receive the
48 member's retirement allowance or portion thereof, with the

1 authorization of the nominee in writing duly acknowledged and
2 filed with the retirement system, and all rights of the designated
3 nominee to such benefits shall cease. A member may not designate
4 another nominee to receive the member's retirement allowance
5 upon the member's death under this option.

6 (cf: P.L.2001, c.120, s.1)

7
8 3. This act shall take effect immediately and shall be applicable
9 to members who retired prior to the effective date.

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12 STATEMENT

13
14 This bill will allow a retiree to change a designated beneficiary
15 after retirement in the event of a divorce. Under current law, prior
16 to retirement, a member of the Public Employees' Retirement
17 System (PERS) and a member of the Teachers' Pension and
18 Annuity Fund (TPAF) may choose one of five options to receive
19 retirement benefits. Once a retiree begins to receive the retirement
20 allowance, these options cannot be changed. Options one through
21 four allow the retiree to choose to have the retirement benefits
22 allocated at the maximum allowable retirement amount or to have
23 the retirement allowance adjusted downward in order to have the
24 benefits continued to be paid to the designated beneficiary in the
25 event of the retiree's death. Each of these options can produce a
26 different retirement allowance based on the option chosen, but each
27 option is actuarially equivalent. Options one through four assume
28 the retiree passes away before the designated beneficiary.

29 Option five allows for an increase in a retiree's retirement
30 allowance in the event that a designated beneficiary passes away
31 before the retiree. To ensure actuarial equivalency, the retirement
32 allowance is adjusted downward to accommodate a potential future
33 increase in the event of the death of a designated beneficiary.

34 This bill would allow a retiree to withdraw the nomination of a
35 designated beneficiary and nominate a new designated beneficiary
36 in the event of a divorce after retirement under options 1, 2, 3, and
37 4, and would allow a member to withdraw the nomination of a
38 designated beneficiary under option 5, but not nominate a new
39 designated beneficiary. Under all options, in the event of a divorce
40 after a retirement, the withdrawal of a nomination of a designated
41 beneficiary must be accompanied by a written authorization from
42 the designated beneficiary from whom the retiree was divorced after
43 retirement duly acknowledged and filed with the retirement system.
44 This bill would apply to all persons who retired before the effective
45 date.