

# Watertown Retirement System News

*A Publication of The Watertown Contributory Retirement Board*

*Winter 2010*



## When D Comes Before C

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**D** Usually comes after C—except in retirement.

Most members are aware of the options available to them when they retire, Option A, Option B, or Option C. Few members, however, are aware of Option D, the member survivor allowance. Option D is actually not a retirement option for the member, but it does provide for a lifetime benefit for the member's beneficiary. It is only activated in the event the member dies while still actively employed by the Town. This is the option members of the Watertown Retirement System hope never to activate!

Option D is an optional benefit under M.G.L. c. 32 S12(2). It provides for a lifetime monthly allowance for the member's beneficiary. The monthly allowance is equal to the full Option C allowance the member would have received had they retired on the date of their death. A member must have at least two years of creditable service with the Town and if they are not yet 55, the allowance will be calculated as if the member were 55 at the time of their death.

As mentioned above, this is an optional benefit. In fact, the form is not needed if a member is married. When a married member dies while still in active service their spouse is automatically given two options to choose from. One option is to receive the member's annuity as a lump sum distribution by either getting a direct refund or rolling it over into an eligible account. The other option is to receive the Option D survivor allowance which could possibly be more beneficial to them over time.

An eligible beneficiary other than the member's current spouse will not have as many options available to them unless the member fills out and files an Option D form with the Board. If a member would like to offer this optional benefit to a beneficiary that is not their spouse, the Option D form is required. Eligible beneficiaries include a child, parent, sister, brother, or unmarried former spouse.

If you have beneficiaries on file with the Board that are not your current spouse but have not filed an Option D form, they will not be eligible for the survivor allowance. Also, only one person can be named as an Option D beneficiary. Multiple beneficiaries are only eligible for a lump sum distribution of your annuity provided there is no Option D beneficiary on file.

The Option D beneficiary can be changed or canceled at any time by sending a request in writing to the Board. Once a member retires, the Option D form on file with the Board becomes void and the retirement option chosen by the member goes into effect—either Option A, B, or C—because in this case D came before A, B, and C.

*To obtain an Option D Form please contact the retirement office at*

# Option D

## *Frequently Asked Questions*

### ***Am I required to pick an Option D beneficiary?***

No. The selection of a person to receive an allowance upon your death as a member in service is not mandatory. It is up to you to pick such a beneficiary, or not, as you see fit.

### ***May I pick both an Option D beneficiary and also designate a person to whom the funds in my annuity account will be given at my death?***

Yes. There is a common misconception that you may not fill out both of these documents. However, if you nominate an Option D beneficiary who is eligible at your death to receive the Option D allowance, please be aware that the allowance must be paid. The Option D selection will always supercede the return of retirement deductions selection. That is because the law prohibits the return of retirement deductions if there is an eligible beneficiary appointed under Option D.

### ***May I nominate the same person as an Option D beneficiary and to receive a return of my accumulated deductions?***

This is not good practice. Such a selection would have the same effect as if you had just nominated a person as your Option D beneficiary, with the return of retirement deductions form left blank. Since an Option D beneficiary will always supercede a person designated to receive the return of retirement deductions and since the Option D beneficiary has no authority to "opt" for a return of deductions instead, naming the same person in both places actually makes no sense.

### ***But if I name my spouse in both places, s/he may elect to receive a return of retirement deductions, right?***

That is incorrect. A spouse's right of election only exists where he or she is not the nominated beneficiary under Option D. If a spouse is designated as the Option D beneficiary, s/he must take the Option D allowance. That is because the law prohibits the return of retirement deductions if there is an eligible beneficiary appointed under Option D.

### ***If nominating an Option D beneficiary precludes the return of my retirement deductions to anyone, why would I want to designate both an Option D beneficiary and a person to whom my deductions would go?***

It can be a valuable estate-planning tool. If your Option D beneficiary predeceases you or if you die simultaneously, then the retirement board will be able to disburse your retirement deductions to the individual or individuals you have selected.

### ***Is there any way someone could elect an Option D benefit, even if I don't name them my Option D beneficiary?***

Yes. A surviving spouse who is not nominated as an Option D beneficiary may elect to receive the Option D allowance if the member has completed at least two years of service; the member and spouse must have been married for at least one year; and the member and spouse must have been living together at the time of the member's death or living apart for what the Board determines is justifiable cause.

## Important GIC Benefit Changes Effective February 1, 2010

*The following correspondence was sent to Town Officials from Ms. Cindy McGrath, Communication Director for the Group Insurance Commission on Tuesday, November 24, 2009.*

To help meet the GIC's projected FY09 deficit of \$35 million, the Group Insurance Commission voted on Friday, November 20, to implement benefit changes effective February 1, 2010. It is very rare that benefit changes are needed mid year, but, given the state's bleak revenue forecast, there is no expectation that a supplemental budget will be submitted by the administration to the legislature.

Health care expenses continue to skyrocket due to increased utilization coupled with increasing prices charged by providers—doctors, hospitals, imaging centers and the prescription drug industry. For every \$1.00 of GIC premium, \$0.90 is spent on provider costs. In other words, the provider payments are where almost all the dollars are going. Information about the benefit changes, including additional details about the deductible and premium rates, will be posted on GIC's website during the first of week of December. Additionally, all employees and Non-medicare retirees will receive a letter at home outlining the changes. On the upside, premiums for employees and Non-Medicare retirees will go down. Details on the new premium rates will also be on the GIC's website: [www.mass.gov/gic](http://www.mass.gov/gic).

Benefit Changes effective February 1, 2010:

- Primary Care Physician Office Visit Copay; \$5.00 increase across all tiers
- Specialist Office Visit Copay: \$5.00 increase across all tiers
- Retail Clinic Copay: \$5.00 increase
- Physical Therapy, Chiropractic and Occupational Therapy Copay: \$5.00 increase
- Outpatient Surgery Copay: \$10.00 increase
- Hi-tech imaging Copay: \$25.00 increase
- Emergency Room Copay: \$25.00 increase
- Mental Health/Substance Abuse Outpatient Visit Copay: \$5.00 increase
- New deductible for all plans: \$250 individual coverage/\$750 family coverage; deductible will not be applied to office visits, mental health/substance abuse benefits and prescription drug benefits. Ancillary tests and procedures performed at an office visit are subject to the deductible.

The GIC certainly regrets having to make these benefit changes and all GIC staff will be paying the same higher copays and deductibles as their fellow employees. All GIC health plans will have the same increases and it is not known at this time whether these changes will carry into FY11. Additional details about health plan benefits for FY11 will be included in your Benefit Decision Guide, which is delivered before annual enrollment, April 12-May 10, 2010. Annual enrollment gives you the opportunity to change health plans if you desire.

*Please see the GIC's website at [www.mass.gov/gic](http://www.mass.gov/gic) for additional details about the benefit and premium changes. Your health plan will also send you a letter with updates to your plan handbook.*

*In addition, the following Health Insurance Rate Changes will be effective January 1, 2010:*

*Fallon Senior Plan—New Rate = \$45.25*

*Tuft Medicare Preferred—New Rate = 44.65*

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**IN MEMORY...***The following members of  
the Watertown Retirement System recently  
passed away.*

<i>Richard Alexson</i>	07/25/09
<i>John Maloney</i>	08/13/09
<i>Mary McHugh</i>	07/10/09
<i>Mary McNally</i>	07/11/09
<i>Kenneth McStay</i>	03/02/09
<i>Marion Mullin</i>	02/14/09
<i>John O'Keefe</i>	06/06/09
<i>John Pannesi</i>	10/08/09
<i>August Stiriti</i>	01/28/09
<i>William Walsh</i>	01/23/09
<i>Florence Williams</i>	01/31/09
<i>John Wilthshire, Sr.</i>	03/27/09

## **Retirement Educational Seminar Planned for Spring 2010**

The Watertown Retirement Board is planning a Retirement Educational Seminar to be held sometime during the Spring.

Topics will include updates on Social Security's Windfall Elimination Provision and Government Pension Offset as well as changes to our retirement plan.

What topics would you like to see covered? Please contact the retirement office at 617-972-6456 and let us know!

We'll keep you posted.....