Public Employees' Retirement System

Board of Trustees

February 23, 2010

Regulatory Change

Regulation 48 Partial Lump Sum Option (PLSO)

The proposed amendment to Regulation 48 clarifies that the beneficiary selected on an Advanced Application is the recipient of all benefits payable pursuant to the option selection, including any partial lump sum payment. This clarification conforms to the manner in which the partial lump sum option has been administered since its inception.

The effective date of this clarification will be July 1, 2010. **Staff requests the Board's initial approval of the proposed clarification.**

Chapter 48 Partial Lump Sum Option (PLSO)

100 Purpose

The purpose of this regulation is to provide for the conditions under which the partial lump sum option may be selected by a retiree.

101 Eligibility for Partial Lump Sum Option

Any eligible member of the Public Employees' Retirement System (PERS), the Supplemental Legislative Retirement System (SLRP), or the Mississippi Highway Safety Patrol Retirement System (MHSPRS), upon withdrawal from service and application for service retirement benefits, or completion of an Advanced Application ~~for Optional Settlement Under Service Retirement~~, may elect to receive a partial lump sum payment on the date of retirement~~,~~ (or commencement of benefits under an Advanced Application in the case of death prior to retirement) in exchange for a reduced annuity~~,~~ provided such member meets the following age and/or service requirements:

a. Any member of PERS/SLRP who became a member before July 1, 2007, and who
   - **(i)** has at least twenty-eight (28) years of creditable service in PERS; or
   - **(ii)** has four (4) or more years of membership service in PERS and who is at least age sixty-three (63); or

b. Any member of PERS/SLRP who became a member on or after July 1, 2007, and who has at least twenty-eight (28) years of creditable service in PERS; or

c. Any member of the MHSPRS eligible for an unreduced benefit.

SLRP members must meet the eligibility requirements in PERS and are not required to meet the requirements in both PERS and SLRP.

1. Selection of Partial Lump Sum Option (PLSO) Payout Amount

a. A member may elect to receive the partial lump sum payment in an amount equal to the unreduced retirement benefit (Maximum Retirement Allowance) which would have been paid over a period of 12, 24 or 36 months~~,~~ had the lump sum option not been selected. Once the pay out amount is selected, a reduced Maximum Retirement Allowance is then calculated using factors based upon the member's age at retirement and the pay out option (12, 24, or 36 months) selected. This reduced Maximum Retirement Allowance then serves as the basis upon which other optional payment alternatives are calculated.

b. Where a partial lump sum distribution is elected on an Advanced Application in conjunction with either the maximum retirement allowance or an allowable option as noted in Section 101.2 of this Regulation, a different beneficiary may not be named for the purpose of receiving only the PLSO payment. The partial lump sum distribution shall be paid to the same beneficiary as named under the optional benefit payment selected.

c. From and after January 1, 2003, if there is an election of the Partial Lump Sum Option (Option 6) after the member has attained the age of

sixty-five (65) years, the actuarial equivalent factor based on the retiree's age at the time of retirement shall be used to compute the reduced maximum monthly retirement allowance.

2. **PLSO Not Available ~~W~~with Certain Options.**
The lump sum payment option shall be paid only in conjunction with service retirement benefits selected by the member and shall not be combined with Option 1 (the pro-rated straight life annuity), a disability benefit, a statutory spouse/dependent child benefit, or a benefit calculated after reemployment of a former retiree.

3. **Effect of PLSO Selection on Calculation of Retirement Benefit at Subsequent Retirement.**
Further, should a retiree, after having received a partial lump sum payment, be reemployed, the new maximum benefit, including salary and service credit upon subsequent retirement, shall be reduced by the same dollar amount plus 1% of that amount for each month that the retiree's benefit was terminated due to the retiree's return to covered employment.

4. **Payment of PLSO Amount**
   a. At retirement, a member must name a beneficiary, as applicable, under the maximum retirement allowance or optional payment plan. When the partial lump sum distribution is selected the lump sum amount shall be paid to the same beneficiary as named under the optional benefit payment selected.
   b. The partial lump sum payment shall be paid in a check separate from the regular monthly retirement benefit.
   c. The total amount of the partial lump sum payment shall be deducted from the member's account balance consisting of the employee contributions plus interest for purposes of determining unused contributions remaining in the account.
   d. The member~~,~~ (or the ~~spouse~~ beneficiary where benefits are payable to a beneficiary pursuant to an Advanced Application) ~~, in the case of an Advanced Application),~~ may elect to rollover the taxable portion of the partial lump sum payment to an eligible retirement plan or individual retirement account (IRA). The non-taxable portion of the partial lump sum payment can be rolled over to an IRA or another qualified retirement plan as allowed by ~~IRS~~ Internal Revenue Service regulations.

5. **Taxation of PLSO Amount**
This partial lump sum payment shall be subject to federal income tax in accordance with the Internal Revenue Code Section 72 or other such Internal Revenue rules and regulations as may be applicable. This partial lump sum benefit is subject to the same restrictions for assignment and attachment as all other retirement benefits. The appropriate portion of the partial lump sum distribution will be reported to the IRS as taxable income and appropriate tax withholdings will be withheld, unless the member elects to make a direct rollover of the taxable portion of the funds. Should the member have after-tax contributions, a portion of such after-tax contributions will be allocated to the partial lump sum payment and to the remaining annuity on a prorata basis.

6. **Calculation of PLSO Amount**

The partial lump sum payment will be based on the service credit and average compensation, including projected wages, at the time of retirement, and will be issued along with the initial monthly benefit check. Since this may be as early as the first of the month after termination and receipt of the completed application and before final wages and contributions are posted to the member's account, PERS reserves the right to correct any overpayment or underpayment in benefits discovered at the time of final benefit recalculation which includes the final wage and contribution postings. Should the member have been overpaid, PERS will collect such overpayment from the member based on an actuarial adjustment to the monthly benefit. Likewise, should the member have been underpaid, PERS will issue an additional payment equal to the amount of the underpayment, as part of the regular monthly benefits. While a recalculation of benefits may result in a difference between the partial lump sum amount actually paid and the partial lump sum amount which could have been paid based on final postings, any difference in the amount actually paid and the amount calculated upon final wage and service credit posting, shall be paid as part of the monthly benefits, not subject to rollover provisions, or in the case of overpayment, monthly benefits will be actuarially reduced, as appropriate.

(History: Adopted effective July 1, 2000; amended effective April 1, 2002; amended effective July 1, 2002; amended and reformatted July 1, 2007; clarified effective July 1, 2010)