

TRS 1 Survivor Benefit Payment Option

Issue

Stakeholders proposed providing survivors of active retirement-eligible Teachers' Retirement System (TRS) Plan 1 members a partial lump sum benefit payment option.

This issue raises two key questions for policy makers:

- ❖ Should TRS 1 survivors be provided a partial lump sum option?
- ❖ If so, should it be provided to all qualified survivors or only survivors of retirement-eligible members?

Background

TRS 1 members may withdraw any portion of their contributions at retirement and receive an actuarially reduced pension. This is referred to as a partial lump sum option, or PLOP. Survivors of members who die prior to retirement do not have access to a PLOP. Instead, qualified survivors must choose between a full refund of the member's contributions or a survivor pension.

Policy Highlights

- ❖ PLOPs do not impact the expected financial value of a survivor's pension. However, more survivors will likely choose to receive a survivor pension if a PLOP is provided.
- ❖ This may be viewed as an issue of member/survivor flexibility at member/survivor cost, or as an issue of benefit consistency.
- ❖ Policy makers will likely consider to what extent survivors are similarly situated with members, and whether they should have the same benefit payment flexibility as members.
- ❖ PLOPs may increase the risk that future retirement income will become inadequate for some survivors.
- ❖ The stakeholder proposal increases benefit flexibility for survivors and benefit consistency between members and survivors. However, under the stakeholder proposal, not all survivors who qualify for a pension will have access to a PLOP.
- ❖ Fewer than ten survivors a year are likely impacted by this issue.

Committee Activity

The committee considered this issue at the October and November meetings. At the November meeting, the committee recommended legislation as detailed below.

Recommendation To 2011 Legislature

Provide survivors of active retirement-eligible members of TRS 1 with a partial lump sum benefit payment option.

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