Retirement Options (Simplified Explanation)*

Selecting a Retirement Option (Option) is how you as the member decide how your retirement allowance will be allotted and what benefits (if any) will be paid to your beneficiaries. Your health at the age of retirement, income from other sources, financial obligations, and the need to provide for others after your death are some of the factors to consider. You must select an Option before the allowance becomes effective. Option B is the default if you do not make a selection. After retirement starts, the Option selection cannot be changed.

Option A: Member receives monthly benefits for the rest of their life. No payments are made to beneficiaries after the member's death except for a residual payment for the partial month in which the member died. If there is a balance in the member's account (consisting of a member's retirement deductions during employment plus interest), those funds are absorbed into the retirement system's general fund, not paid to beneficiaries.

Option B: Member receives monthly benefits for the rest of their life, but the amount is typically 1 - 5% lower than under Option A. Upon the member's death, surviving beneficiaries are awarded the remaining balance of the member's account (if any) as a lump sum payment. Typically the member account is depleted within 8-12 years of retirement. If there is no balance remaining when the member dies, no payment will be made to beneficiaries. There are no limits on who a member can select as their Option B beneficiary.

Option C: Commonly known as "joint and last survivor", this Option is the most commonly selected for married couples. Member receives monthly benefits for the rest of their life, but the amount is typically 7 - 15% lower than under Option A and may be even less if the beneficiary is much younger than the member. Upon the member's death, the beneficiary (one person) receives monthly benefits for the rest of their life. Pre-tax payment to the beneficiary is exactly two-thirds the amount formerly paid to the member. The Option C beneficiary must be the member's spouse, former spouse (if unmarried), sibling, child or parent and after retirement the beneficiary cannot be changed. If the beneficiary predeceases the member, the member "pops up" to receive an Option A benefit.

	Option A	Option B	Option C
Monthly Benefits to Member	Yes, until member's death	Yes, until member's death (typically 1-5% less than Option A)	Yes, until member's death (typically 7-15% less than Option A, but may be less if beneficiary is much younger than member)
Account Balance	No payments disbursed	Balance paid in lump sum to last designated beneficiary	No payments disbursed
Monthly Benefits to Beneficiary	None	None	Upon member's death, beneficiary paid 2/3 allowance for beneficiary's lifetime
Beneficiary Selection Limits	None	None	One person. Must be member's spouse, former spouse (if unmarried), sibling, child, or parent
Monthly Check Examples	\$ 900	\$ 855	\$ 765 member, then \$ 510 beneficiary
	\$ 1,800	\$ 1,710	\$ 1,530 member, then \$ 1,020 beneficiary
	\$ 3,000	\$ 2,850	\$ 2,550 member, then \$ 1,700 beneficiary

^{*} Death of the member before retirement, death of beneficiary before the retiree, divorce, remarriage, court orders, the presence of dependents, the circumstances around the member's death, etc. can affect benefits. Refer to www.mass.gov/perac for a more comprehensive explanation of the rules