



11125 River Run Blvd
Bakersfield, CA 93311
661.381.7700
www.kcera.org

OPTIONAL SETTLEMENT 4 POLICY

PURPOSE

The Board of Retirement (“Board”) of the Kern County Employees’ Retirement Association (“KCERA”) adopts this Optional Settlement 4 Policy to establish guidelines and procedures for member utilization of Optional Settlement 4 as provided by the California Employees’ Retirement Law of 1937 (“the CERL) under California Government Code¹ § 31764 (also referred to as “Option 4”).

AUTHORITY

Option 4 offers a reduced benefit to the member with continuing benefits to more than one beneficiary, or a continuing benefit to a single beneficiary, in percentages different than those established by the unmodified or other optional settlement statutes. The CERL requires a member’s request for Option 4 be approved by the Board of Retirement, upon the advice of the actuary. In addition, the benefit structure under an Option 4 must not place any additional financial burden upon the retirement system.

Optional settlement 4 consists of the right to elect in writing to have a retirement allowance paid to the member until the member’s death and thereafter to have other benefits as are approved by the board, upon the advice of the actuary, continued throughout the life of and paid to the natural persons, having an insurable interest in the member’s life, as the member nominates by written designation duly executed and filed with the board at the time of retirement. The designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system. (Cal. Gov. Code § 31764).

KCERA has determined that the phrasing “...paid to the natural persons, having an insurable interest in the member’s life” does not limit Option 4 to only to those situations where multiple beneficiaries are named; rather, this phrasing demonstrates that unlike Optional Settlements 1, 2, and 3, Option 4 is not limited to a single beneficiary and can allow multiple beneficiaries. The ability to designate a single or multiple beneficiaries for an Option 4 continuance addresses the commonsense issue of family law courts issuing Domestic Relations Orders based on the former spouse’s community share of the KCERA retirement, which is not limited to those percentages offered in Optional Settlements 1, 2, or 3.

¹ All statutory references are to the California Government Code unless otherwise stated.

POLICY

This Policy establishes the KCERA approach to Optional Settlement 4, as set forth below.

- I. KCERA allows a member to select Optional Settlement 4 to provide a continuance after the member's death to either a single beneficiary or to multiple beneficiaries.
- II. KCERA's staff may provide non-binding estimates of the member's benefit and continuance beneficiary(ies) benefit(s) for use by members in evaluating an Optional Settlement 4. Likewise, KCERA staff will inform members that these estimates are non-binding, as they have not been approved by the actuary.
- III. Should the member wish to proceed with formal election of Optional Settlement 4, the election shall not place any additional burden upon the retirement system:
 - a. For the purposes of this Policy, a "Basic Optional Settlement 4" is defined as an Option 4 election (a) that names a former spouse as single beneficiary, as required by a court-approved Domestic Relations Order or (b) that provides continuing benefits to multiple beneficiaries (without reversion to any other Option 4 beneficiaries upon the death of any beneficiary).
 - b. The Board of Retirement hereby delegates approval of all requests for a "Basic Optional Settlement 4" as defined above to KCERA's Chief Executive Officer, provided that the actuary has determined that the benefit structure does not place any additional financial burden upon the retirement system. The Board has determined that such delegation, accompanied by approval by the actuary, is prudent and administratively efficient.
 - c. KCERA staff will present Optional Settlement 4 elections other than "Basic Optional Settlement 4" elections to the Board for approval. "Basic Optional Settlement 4" election requests will not be reviewed by the Board on a case-by-case basis.
- IV. KCERA will provide the "Basic Optional Settlement 4" calculation at no cost to the member or the former spouse. However, KCERA may, in its discretion, assess costs for Optional Settlement 4 calculations other than "Basic Optional Settlement 4" elections against the member, a former spouse, or pursuant to a court order.
- V. A member's request for an Optional Settlement 4 calculation shall be made in writing on a form or forms approved by the KCERA Chief Executive Officer and, if applicable, accompanied by any required processing payment.

POLICY REVIEW AND HISTORY

- 1) This policy shall be reviewed on an as-needed or three-year basis.
- 2) This policy was:
 - a) Adopted by the Board on December 11, 2024.