

MEMORANDUM

DATE: December 18, 2013
TO: Supplemental Retirement Board of Trustees
RE: Staff Recommendation for Beneficiary Elections

Background

Prudential has accepted beneficiary elections and changes to those elections through the call center, online and in writing. These methodologies are consistent with our contract with Prudential. Recently, however, call center beneficiary elections have proven to be problematic even though a recorded line is utilized. Effective September 19, 2013, Prudential no longer accepts beneficiary elections over the phone.

The 401(k) plan document, section 1.05 states:

“Beneficiary” means any person or persons named by a Member by written designation filed with the Administrator to receive benefits payable in the event of the Member’s death. If no such designation is in effect at the time of death of the Member, or if no person or persons so designated shall survive the Member, the Beneficiary shall be the estate of the Member.

The 457(b) plan document, section 2.4 states:

Beneficiary: The person or persons designated by the Participant who shall receive any benefits payable hereunder in the event of the Participant's death. In the event that the Participant names two or more Beneficiaries, each Beneficiary shall be entitled to equal shares (per capita) of the benefits payable at the Participant's death, unless otherwise provided by the Participant. If no beneficiary is designated, or if the designated Beneficiary predeceases the Participant, then the estate of the Participant shall be the Beneficiary unless otherwise selected in the Adoption Agreement.

Findings

Staff conducted a survey of NAGDCA members to determine what form of beneficiary election is utilized by other plans. In addition, we asked a dozen employers in our plan what they believed would be a preferred method for accepting this information. In both surveys, respondents were allowed to elect more than one method in their response.

- 45 NAGDCA members replied and 7 employers replied with the following results:

| Beneficiary method of Election /Change | Plan Sponsors (NAGDCA) | Employers in our Plan |
|--|------------------------|-----------------------|
| In Writing | 43 | 4 |
| Writing and Notarized | 8 | 1 |
| Online | 17 | 6 |
| Call Center | 0 | 1 |

In most instances, a notarized signature was required when a non-spouse was named as beneficiary.

Recommendation:

Staff recommends amending both plan documents to: 1) permit beneficiary elections by one of two methods either i) on-line (with requisite security protocols in place) or ii) in writing; and 2) in the event that a non-spouse beneficiary is named, a notarized signature is required for a beneficiary election.

