



Date: December 12, 2024
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: 2025 PERA Legislative Agenda – Pre-retirement Survivor Benefit Recodification
Policy Changes

The 2025 legislative agenda includes the recodification of pre-retirement survivor benefits. During review of these provisions, staff identified opportunities to create consistency and equitability among vested benefit options. The memo summarizes the current pre-retirement survivor options, explains the changes identified, and includes a staff recommendation.

CURRENT PRE-RETIREMENT SURVIVOR BENEFIT OPTIONS

A summary of the current pre-retirement survivor benefit options are provided below. See attachment for chart of current pre-retirement survivor benefit options.

These survivor benefits apply to members who are not collecting a retirement annuity or disability benefit.

Active/Vested. Members who were active in a PERA-covered position and vested at time of death:

- **Coordinated:** Benefits are paid in succession and first paid to the surviving spouse. If there is no surviving spouse, then the benefit is paid to the dependent child(ren). If there are no dependent child(ren), then the benefit is payable to beneficiaries. If there are no beneficiaries, then the benefit is payable to the member's estate.
 - Surviving spouse: The spouse may choose between three options
 - Option 1: Lifetime monthly benefit
 - Option 2: Term certain monthly benefit (10, 15, or 20 year)
 - Option 3: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary)
 - Dependent child(ren): Monthly benefit payable up to age 23
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - The benefit is paid the first of the month following the death.
- **Correctional:** Benefits are paid in succession and follow the same process as those provided to active Coordinated members.
 - Surviving spouse: The spouse may choose between three options
 - Option 1: Lifetime monthly benefit
 - Option 2: Term certain monthly benefit (10, 15, or 20 year)
 - Option 3: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary)
 - Dependent child(ren): Monthly benefit payable up to age 23
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - The benefit is paid the first of the month following the death.

- **Police & Fire:** Benefits are paid to both the surviving spouse and dependent child(ren). If there are no surviving spouse and dependent child(ren), then the benefit is payable to beneficiaries. If there are no beneficiaries, then the benefit is payable to the member's estate.
 - Surviving spouse benefit options:
 - Option 1: Lifetime monthly benefit
 - Option 2: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary and there are no dependent children)
 - Dependent child benefit: Monthly benefit payable up to age 23
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - The benefit is payable the day after the death.

Inactive/Vested. Members who were inactive in a PERA-covered position and vested at time of death:

- **Coordinated:** Benefits are paid in succession and first paid to the surviving spouse. If there is no surviving spouse, then the benefit is payable to designated beneficiaries. If there are no beneficiaries, then the benefit is payable to the member's estate.
 - Surviving spouse: The spouse may choose between two options
 - Option 1: Lifetime monthly benefit (no term certain monthly benefit is available)
 - Option 2: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary)
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - If the member is under 55 at the time of death, the benefit is paid once the member would have been 55.
 - If the member is over 55, the benefit is payable the first of the month following the death.
- **Correctional:** Benefits are paid in succession and follow the same process as those provided to inactive Coordinated members.
 - Surviving spouse: The spouse may choose between two options
 - Option 1: Lifetime monthly benefit (no term certain monthly benefit is available)
 - Option 2: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary)
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - If the member is under 50 at the time of death, the benefit is paid once the member would have been 50.
 - If the member is over 50, the benefit is payable the first of the month following the death.
- **Police & Fire:** Benefits payable are based on the age of the member at time of death.
 - If the member is age 50 or older at time of death, then the benefit is first payable to the spouse. If there is no surviving spouse, then the benefit is payable to designated beneficiaries. If there are no beneficiaries, then the benefit is payable to the member's estate.
 - Surviving spouse: The spouse may choose between two options
 - Option 1: Lifetime monthly benefit (no monthly term certain benefit is available)

- Option 2: Lump-sum payment of member contributions plus interest (if listed as a primary beneficiary)
 - Beneficiary/Estate: Lump-sum payment of member contributions plus interest
 - The benefit is payable the day after death
 - If the member is under age 50, then a lump-sum payment is the only option available. The benefit is first payable to designated beneficiaries. If there are no beneficiaries, then the benefit is payable to the estate.

PRE-RETIREMENT SURVIVOR BENEFIT RECODIFICATION POLICY CHANGES

Upon review of PERA's pre-retirement survivor benefits, staff identified areas of opportunity to further consistency and equitability for the Plans survivor benefits. These areas focus on the benefit options available to all members and the timing of when the benefit is received. These changes impact most of the Plans' pre-retirement survivor benefits except for Police & Fire active members and nonvested members. Given the structure and benefits of Police & Fire active survivor benefits there are no recommended changes. The pre-retirement survivor benefits for nonvested members are also unchanged.

Surviving Spouse Options

Staff recommends that the term certain options be available to both inactive and active vested members. In addition, staff recommends that the statute is clarified to allow the surviving spouse the option of a refund regardless if the surviving spouse was listed as a beneficiary.

Staff recommends that Police & Fire inactive members under the age of 50 are provided surviving spouse options including term certain monthly benefits. There is no cost to the plans for any of these changes.

Dependent Child(ren) Option

Staff recommends that dependent child(ren) option be available to both inactive and active vested members. Adding this option ensures consistency within plans and equity between vested members. Survivor benefits are payable in succession. Dependent child(ren) benefits are payable only if there is no surviving spouse. The dependent child(ren) benefit for PERA General and Correctional is the actuarial equivalent to 100% joint and survivor annuity using each child's age at date of birth.

For the Police & Fire Plan, staff recommends that the dependent child(ren) option be the actuarial equivalent of a 100% joint and survivor annuity using each child's age at date of birth. If there is more than one dependent child, each child receives a proportionate share of the benefit. This structure will maintain the enhanced benefits available to active Police & Fire members.

Timing

Staff recommends that the delay in benefits for inactive vested members be eliminated. This allows for both active and inactive vested survivor benefits to be payable after death. For PERA Correctional and PERA General survivor benefits are payable the first of the month following death. For PERA Police & Fire survivor benefits are payable the day after the death. This changes eases the administrative burden on PERA of locating survivors and ensures timely payment.

The attachment includes a chart of the proposed pre-retirement survivor benefits.

Conclusion

The proposed changes to pre-retirement survivor benefits achieves the desired consistency and equitability for the Plans. The changes provide the same options for active and inactive vested members with the exception of Police & Fire active members. The consistency between the Plans allows for both staff and members to easily understand what pre-retirement survivor benefits are available to them.

Staff Recommendation

PERA staff recommends that the PERA Board of Trustees direct staff to incorporate the identified policy changes into the language developed for the survivor benefit recodification.

Current Statute

Current Statute			
	General	Correctional	Police & Fire
Active/Vested	Benefit paid in succession: Spouse, dependent child(ren), beneficiary, estate	Benefit paid in succession: Spouse, dependent child(ren), beneficiary, estate	Both spouse and dependent child(ren), beneficiary, estate
	*benefit payable first of month after death	*benefit payable first of month after death	*benefit payable day after death
	Spouse: <ul style="list-style-type: none"> Lifetime monthly benefit Term certain monthly benefit Refund (if listed as beneficiary) 	Spouse: <ul style="list-style-type: none"> Lifetime monthly benefit Term certain monthly benefit Refund (if listed as beneficiary) 	Spouse: <ul style="list-style-type: none"> Lifetime monthly benefit Refund (if listed as beneficiary, and no dependent children)
	Dependent child: <ul style="list-style-type: none"> Monthly benefit payable up to age 23 	Dependent child: <ul style="list-style-type: none"> Monthly benefit payable up to age 23 	Dependent child: <ul style="list-style-type: none"> Monthly benefit payable up to age 23
	Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund
Inactive/Vested	Benefit paid in succession: Spouse, beneficiary, estate	Benefit paid in succession: Spouse, beneficiary, estate	If over age 50: Benefit paid in succession: spouse, beneficiary, estate
	*if member dies before 55, benefit is payable, benefit is deferred until member would have been 55	*if member dies before 50, benefit is payable, benefit is deferred until member would have been 50	*benefit payable day after death
	* if member dies after 55, benefit payable first of month	* if member dies after 50, benefit payable first of month	If under age 50: beneficiary, estate
	Spouse: <ul style="list-style-type: none"> Lifetime monthly benefit Refund (if listed as beneficiary) 	Spouse: <ul style="list-style-type: none"> Lifetime monthly benefit Refund (if listed as beneficiary) 	Spouse (over age 50): <ul style="list-style-type: none"> Lifetime monthly benefit Refund (if listed as beneficiary)
	NO DEPENDENT OPTION	NO DEPENDENT OPTION	NO DEPENDENT OPTION
Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund <p>*only option for members under age 50</p>	
Non-Vested	General	Correctional	Police & Fire
	Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund 	Beneficiary/estate: <ul style="list-style-type: none"> Refund

