

**PUBLIC EMPLOYEE RETIREMENT COMMISSION****ACTUARIAL NOTE TRANSMITTAL**

Bill ID: Senate Bill Number 271, Printer's Number 275

System: City of Pittsburgh Municipal (Nonuniformed) Pension Fund

Subject: Continuation of Surviving Spouse's Benefit Regardless of Remarriage

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**SYNOPSIS**

The bill would amend the act of May 28, 1915, (P. L. 596, No. 259), known as the Second Class City Employee Pension Law by removing the current requirement in the Law that the pension payments to a surviving spouse of a member cease upon remarriage.

**DISCUSSION**

The Second Class City Employee Pension Law (Law) is one of the statutes governing pension plans operated by the City of Pittsburgh. The Law provides for the establishment of a defined benefit pension plan for full-time, nonuniformed employees of the City of Pittsburgh and full-time employees of the Pittsburgh Water and Sewer Authority.

As of January 1, 2007, there were 1,778 active members of the plan, and 1,634 retired members and survivors receiving benefits. This number includes 69 surviving spouses receiving benefits. The current survivor benefit provisions of the Law (Section 4.2) are summarized below.

Under the Law, any retired, married member of the system may elect to reserve up to \$100 per month from the member's retirement benefit to provide a \$100 per month benefit to the member's surviving spouse payable for life or until remarriage.

In 1987, the City of Pittsburgh established Ordinance Number 14-1987, an additional benefit tier known as Municipal Benefit Plan No. 2, which is applicable to members of the nonuniformed municipal pension plan who were hired by the City on or after January 1, 1988 (see Pittsburgh City Code, Sections 192.20 through 192.33). Section 192.27 of Municipal Benefit Plan No. 2 provides for additional survivor benefit options previously not available to members of the City's municipal pension system for nonuniformed employees. The additional benefit tier created in the City Code was made possible through the City of Pittsburgh Home Rule Charter, adopted on November 5, 1974, which enables the city to establish ordinances

## DISCUSSION (CONT'D)

that are not subject to provisions of the Second Class City Employee Pension Law. Because the bill amends only the Second Class City Employee Pension Law, the bill will have no effect upon the survivor benefit provisions provided under the aforementioned City ordinance. Removal of the cessation of annuity due to remarriage provisions currently contained in the City Code would require separate action by the City of Pittsburgh. The following summarizes the survivor benefit provisions of Section 192.27 of the City Code.

### Pre-Retirement Death Benefit.

- 1) In the event of the death of an active member who has accumulated at least eight years of credited service and has attained the age of 50 years, a surviving spouse shall be entitled to receive a survivor benefit equal to 50% of the pension benefit to which the deceased member would have been entitled had the member retired on the day before his or her death, payable for life or until the surviving spouse remarries; or
- 2) In the event of the death of an active member who has not yet accumulated eight years of credited service and attained age 50, the member's designated beneficiary(ies) shall be entitled to a return of the member's accumulated contributions to the pension plan with interest, or in the absence of a designated beneficiary, the accumulated contributions will be paid to the deceased member's estate.

### Post-Retirement Death Benefit.

If elected by the member at retirement, a survivor spouse benefit is equal to 50% of the pension benefit the deceased member was receiving at the time of death, reduced by an amount dependent upon the difference in age between the deceased member and the survivor spouse, and payable for life.

Because survivor beneficiaries are generally made aware of the benefit cessation provisions of the plan, in practice, the instances in which benefits to survivors (spouses or children) are terminated because of remarriage are quite rare. The bill would amend the Law by removing the current provisions requiring that the pension payments to a surviving spouse of a member cease upon remarriage.

Statutory provisions requiring the termination of survivor spouse benefits upon remarriage were once a common feature of municipal pension plans and are based upon an orientation

## DISCUSSION (CONT'D)

toward survivor benefits that is no longer deemed to be appropriate. Similar provisions were previously applicable to police officers employed by the City of Pittsburgh, firefighters and police officers under The Third Class City Code, and police officers in boroughs, incorporated towns, townships, and regional police departments under the Municipal Police Pension Law, but these provisions have since been repealed. Under the pension plans for nonuniformed employees of the City of Scranton and the standard pension plans administered by the Pennsylvania Municipal Retirement System, at the time of retirement, a municipal employee may elect to receive a single life annuity or, if the retiring employee wishes to provide financial assistance for dependents who may outlive the retiree, an employee may choose from one of several benefit options designed to provide survivor benefits for one or more designated beneficiaries. In neither system do any of the survivor options available to members terminate the retirement benefits to a surviving spouse upon remarriage.

## SUMMARY OF ACTUARIAL COST IMPACT

The consulting actuary of the City of Pittsburgh has informed the Commission staff that the probability of remarriage for surviving spouses of deceased members is not valued by the actuary in preparing the actuarial valuations of the pension system. Accordingly, there will be no change in the funding requirements of the plan upon enactment of the bill. Likewise, the consulting actuary of the Commission has reviewed the bill and determined that there will be no significant actuarial cost impact upon the City of Pittsburgh Municipal Pension Fund resulting from passage of the bill.

## POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations:

Removal of Outdated Provisions. (+) The bill removes provisions in the Second Class City Employee Pension Law that are based upon an orientation toward survivor benefits that is no longer appropriate.

Outdated Provisions Retained. ( ) The bill does not remove provisions in the City Code that requires the cessation of survivor spouse benefits upon remarriage. Removal of this provision would require separate action by the City of Pittsburgh. If the

removal of outdated survivor provisions is viewed as desirable, this additional provision also should be removed.

#### **COMMISSION RECOMMENDATION**

The Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

#### **ATTACHMENTS**

Actuarial note prepared by David H. Killick of Conrad Siegel Actuaries.

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