

**PHILADELPHIA BOARD OF PENSIONS AND RETIREMENT**

**REGULATION NO. 6**

**PROCEDURE FOR IMPLEMENTING  
THE DEFERRED RETIREMENT OPTION PLAN**

**WHEREAS**, The Board of Pensions and Retirement is empowered by Section 8-407 of the Home Rule Charter and Section 22-107 of the City of Philadelphia Public Employees Retirement Code (“Retirement Code”) to make all necessary regulations to carry into effect the provisions of the Retirement Code; and

**WHEREAS**, The Deferred Retirement Option Plan (DROP), as created by Section 22-310, was initially a test program, to end four years from the date of enactment if not extended by City Council or the Board of Pensions and Retirement; and

**WHEREAS**, By vote of the Board at its meeting on December 18, 2003, that the operation of the DROP, including any accrued liability, resulted in an immaterial increase in the City’s normal cost during the test period, the DROP has ceased to be a “test” DROP and will continue under the same terms (except those relating to the “test” aspects) indefinitely unless and until further amended by Council; and

**WHEREAS**, Bill No. 000342, approved January 23, 2001, amended Section 22-310 retroactively to the inception of the DROP, affecting the rights of participants currently enrolled in the program; and

**WHEREAS**, Section 22-310(6) of the Retirement Code provides that the Board is empowered to make any necessary regulation necessary for the implementation of the DROP;

**NOW THEREFORE**, The Board of Pensions and Retirement hereby adopts this Regulation No. 6, relating to the Deferred Retirement Option Plan.

**6.1 Enrollment**

**6.1.1. Participants under bill 000342.** For all participants who apply after January 23, 2001, the enrollment date shall be the enrollment date selected by the employee, provided that such date must:

(a) be at least 90 days after the date of application; and

(b) be the 1st day following the end of a pay period;

subject to the requirements of Section 22-310 (5)(a) and other paragraphs of this regulation.

**6.1.2. Participants under bill 990288-A.** For all participants who were enrolled before January 23, the enrollment date shall be the first day of the new month, and will be entitled to DROP payments for partial monthly crediting periods as compensation for any shortfall in payment that may have occurred as a result of the change.

**6.1.3. Ninety day limit.**

As used in Section 22-310 of the Retirement Code, “Applications” shall mean the two-step process by which an employee submits both an initial application and the Memorandum of Intent committing to a particular enrollment date. Upon receiving an application of an employee to participate in the DROP, the Board of Pensions and Retirement shall send the employee a Memorandum of Intent to participate in the program (Memorandum). In order to be eligible for the DROP, an interested employee shall fill out and return to the Board the Memorandum within ninety (90) days of receipt of the application by the Board, as indicated by the Board’s records. Failure to return the Memorandum within ninety (90) days of receipt by the Board will result in the employee’s original application being removed from consideration for the DROP, requiring the employee to re-apply.

(a) All employees that have submitted an application with the 90 day deadline must submit the Memorandum within 90 days in order to participate in the DROP.

(b) Any employees that submitted an application before the effective date of this regulation, but have not yet returned the Memorandum declaring intention to enter the DROP, shall be notified by the Board of Pensions and Retirement and sent a new application containing the notice that the employee has ninety (90) days in which to fill out the Memorandum. In order for an employee to be eligible to participate, they must complete the new application and submit the Memorandum within ninety (90) days of receiving the notice.

**6.1.4. Rescinding enrollment.** Once an employee has submitted both the application and Memorandum, and has been enrolled in the DROP, the employee may not rescind enrollment or change the selected date for entering the DROP. Once accepted into the DROP, election to participate is irrevocable.

**6.2 Death of Participant**

**6.2.1. Pre-separation.** If a DROP participant dies while still an employee of the City of Philadelphia, the employee’s accumulated DROP benefit shall be treated as an ordinary death benefit, and will be paid to the designated Ordinary Death beneficiary on record with the Board of Pensions and Retirement.

**6.2.2. Post-separation.** If a DROP participant dies after final separation from city employment, but before the participant received payment of their DROP benefit, such benefit will be paid to the designated Ordinary Death beneficiary on record with the Board of Pensions and Retirement.

### **6.3 [Deleted]**

**6.4 Retirement out of DROP – calculation of interest.** Where a DROP account closes through the employee’s death or separation on the last day or last working day of a month, interest shall be compounded and credited for the entire month. Where a DROP account closes through the employee’s death or separation on any earlier day of a month, interest shall be calculated and credited as compounded based on the fraction of the month up to the date the account closes.

The addition of this Paragraph 6.4 shall be retroactive to the inception of the DROP on June 28, 1999, and the Board will make payments to retirees who would have received a greater DROP distribution based upon this Paragraph, to correct any underpayment.

**6.5 DROP contributions on behalf of striking City employees.** The Board interprets Section 22-310(5)(c) of the Retirement Code to mean that “active service” for that purpose includes any period that the employee is on strike. Thus, employees on strike are hereby deemed to continue to be “on active service” with the City, for purposes of DROP only. Accordingly, credits to a member’s DROP account continue during any period in which that member is on strike, so long as the member has not separated from City employment.

**Effective Date.** It is the intention of the Board that the amendment adding Paragraph 6.5 to this regulation, approved by the Board on September 16, 2004, be effective retroactively to September 16, 2004.

Approved by Board December 19, 2002  
Effective January 23, 2003

Amendments deleting Paragraph 6.3 and adding Paragraph 6.4, approved by Board January 15, 2004 and became effective February 23, 2004

Amendment adding paragraph 6.5 approved by Board September 16, 2004 and became effective 10/22/2004