

City of Philadelphia Board of Pensions and Retirement

Spring 2023 Edition

Executive Director's Update

The Philadelphia Municipal Pension Fund has made tremendous progress since the Pension Reforms of 2016 and continues its trajectory toward greatly improved funding. Since the 2016 reforms, the funding level of the Pension Fund has improved close to 13% and is now projected to reach the 80% funding level by 2029.

The 2016 reforms were the result of a great collaboration between the Pension Board Trustees, the City Administration, the Municipal Unions, City Council, the State Legislature, and other stakeholders who took steps to improve the health of the Pension Fund. The reforms created a hybrid pension plan for new municipal employees, updated pension contributions for all employees, and dedicated additional revenue to the Pension Fund from a portion of the local sales tax. The additional revenue or what's known as the Revenue Recognition Policy (RRP) is dedicated to paying down the Fund's Unfunded Actuarial Liability (UAL) and played a key part reducing the UAL by close to \$1 billion since 2018.

The additional revenue has also resulted in the Fund having a positive cash flow in each of the last five fiscal years, after not having had positive cash flows for decades.

As responsible stewards of the Municipal Pension Fund, all of us strive to make decisions aimed at enhancing the long-term health of the Fund. The responsible actions taken by all interested parties resulting in the 2016 reforms have been noted and recognized by many organizations.

The State Auditor General noted in their audit of the Municipal Fund dated March 11, 2022 that "the fiscally responsible decisions and reforms taken by both fund fiduciaries and city officials will benefit the City of Philadelphia and its taxpayers to ensure the city's pension fund has adequate resources to meet current and future benefit obligations to the city's hard-working police officers, firefighters, and non-uniformed employees..., and we commend them for their continued efforts..."

On March 3, 2022, City Council introduced and passed a Resolution, "commending the City of Philadelphia's Board of Pensions and Retirement for their prudent actions over the years to increase the Pension Fund's actuarial funding ratio."

The Government Finance Officers Association (GFOA) awarded the City of Philadelphia the 2020 Award for Excellence in Government Finance for the City's comprehensive plan to improve the long-term health of the Pension Fund by adopting the 2016 Pension Reforms.

The PEW Charitable Trusts conducted a stress test of the Municipal Pension Fund to evaluate how the plan would weather various economic conditions given the 2016 Pension Reforms. Among PEW's findings were that "...Philadelphia's current funding policy is projected to sustainably pay down the city's pension debt even if returns fall short of expectations..." The conclusions stated in part that "Philadelphia's recent reforms demonstrate that improved funding of a municipal pension system is attainable..." and that "Philadelphia's pension reforms have set the city retirement system on a path to sustainably deliver on pension promises..."

I look forward to continuing our work with the Board Trustees, City Administration, City Council, Municipal Unions, State Legislature, and all stakeholders to ensure that the Philadelphia Municipal Pension Fund continues its current path.

Francis X. Bielli, Esq, Executive Director

Structure of The Board of Pensions & Retirement

The City of Philadelphia Board of Pensions & Retirement was created by the City Charter and is charged with administering the Fund for more than 65,000 active and retired members. As of February 2023, over 35,000 people were receiving some type of benefit from the Fund. The task of ensuring the accuracy and timeliness of benefit payment is among the duties of the Board's staff.

The Board is composed of Trustees. The Trustees include four (4) people elected by employees of the civil service, the Director of Finance, Managing Director, City Controller, City Solicitor, Personnel Director, and a non-voting member appointed by the President of City Council. The Director of Finance acts as the Chairperson for the Board.

The administration of the Fund on a daily basis is delegated by the Board to the Pension Board staff. The Executive Director of the Pension Board reports directly to the Board and is assisted by a knowledgeable and dedicated staff.

The Deputy Director and Chief Investment Officer provide expertise in the areas of benefits and investment respectively. The organization also includes four (4) benefit administrators and staff who work directly with the Deputy Director and Executive Director to ensure the proper evaluation and processing of benefits. A Deputy Chief Investment Officer, along with Investment Officers and staff, work with the Chief Investment Officer to monitor the Fund's investments, work with the Fund's outside consultants and makes investment recommendations to the Board.

The staff also works closely with the City of Philadelphia Law Department in order to comply with all federal, state and local regulatory requirements of the Fund.

Board of Pensions & Retirement Trustees:

Rob Dubow	Chairperson, Finance Director
Carol Stukes-Baylor	Vice Chair Elected Trustee
Brian Coughlin	Elected Trustee
Roosevelt Poplar	Elected Trustee
Paul Reed	Elected Trustee
Diana Cortes	City Solicitor
Michael Zaccagni	Personnel Director
Tumar Alexander	Managing Director
Charles Edacheril	City Controller (Interim)
Robert McDermott	City Council President Designee

Trustee Designees Include:

Francois Dutchie & Sharolyn Murphy	City Solicitor
Marsha Greene-Jones & Leontyne Freeman	Personnel Director
Vanessa Garrett-Harley & Aubrey Powers	Managing Director
Jacqueline Dunn	Finance Director
Nick Hand & Andrea Rose	City Controller

To help us to serve you more effectively, when contacting this Board by mail, please provide your payroll/pension number or the last four digits of your Social Security number and your printed name.

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Pension Fund Performance

COP Pension Fund

The Pension Fund (“Fund”) generated a net return of 7.3% for the three (3) month period ending January 31, 2023. The Fund’s fiscal year to date return stood at 5.9%. For the three (3) year period ending at the conclusion of 2022, the Fund returned 6.6%, and the Fund’s return since inception is 7.5%. The Fund’s 2022 calendar year return was -11.3%. Total assets under management are approximately \$7.22 billion as of January 31, 2023.

The Trustees and Investment Staff continue to maintain a balanced, well-diversified portfolio that includes over ½ of the Fund (inclusive of cash) being invested in low-cost index funds. We will continue to carefully seek the best investments available on behalf of our 64,000+ members and retirees. The Fund’s performance, along with recent plan design changes, project cost stability and funding improvement for the Plan.

Equity Markets

Domestic equity market returns were heavily challenged in 2022. Broad market indices were pummeled with the S&P 500 returning -18.1%, the Russell 1000 returning -19.1%, and the Wilshire 5000 returning -19.0%. Small market indices performed even worse, with the Russell 2000 returning -20.4%. According to some measurements, this was the 7th worst year since 1926 for U.S. stocks.

The International markets also performed poorly with the MSCI ACWI returning -18.4%.

Several factors contributed to negative stock performance in 2022. Inflation was 6.5% annually as of the end of the year after peaking at 9.1% in June. The Federal Reserve has indicated that it will continue to raise interest rates to bring inflation downward, and this may result in a recession. Declining savings rates, increased geo-political tensions with China & Russia, mixed corporate earnings results, and declining home prices all contributed to the weak equity performance.

Fixed Income

Fixed income markets had a terrible year as the Bloomberg Aggregate returned -13% in 2022. U.S. bonds suffered their worst year ever since 1926 and returned -13%. This annual drop in both stocks and bonds was quite unusual and had happened only twice before – 1931 & 1969. This made investing extremely difficult, as the normal negative correlation between stocks and bonds was not present. A diversified portfolio of 60% stocks and 40% bonds returned -15.3%.

DID YOU KNOW... *City of Philadelphia employees can join a plan to help you have a more secure retirement?*

The City of Philadelphia 457(b) Deferred Compensation Plan was created to be your plan before, during and after retirement.

- Optional tax-deferred retirement plan
- Dedicated resources, education and individual attention
- Automatic payroll deduction
- Low administrative fees
- Variety of investment choices
- Pension Board oversight
- Any Investment growth is tax deferred
- Eligible 457(b) withdrawals are not subject to an additional 10% tax withholding prior to 59 1/2
- Withdrawals are taxable in the year you take them
- Assets may be used to purchase service credit on a pre-tax basis
- Loan provision and unforeseeable emergency assistance
- Access to your account.
- Anywhere. Any time. Any device at www.philly457.com.
- Local Office: 2 Penn Center, Suite 1701
- Comprehensive Retirement Planning with a Nationwide Personal Retirement Consultant

Direct Deposit

Over 33,000 pensioners have chosen to receive their monthly payment via direct deposit. You can too! Just call Ashanta Jordan at 215-685-3432 and ask for a direct deposit authorization form. If you are currently receiving your monthly payment via direct deposit and you wish to change the bank account to which the payment is deposited, you may also contact Ashanta Jordan at 215-685-3432. You can access a direct deposit authorization form on the Board’s website at <http://www.phila.gov/pensions/reports>. The monthly pension payment is mailed on the last working day of each month. Direct deposit payments are usually in your account before you wake up on the last working day of each month. Call now and stop waiting for your money!

Purchase of Pension Credit

For active members of the retirement system who are currently making pension contributions: You may apply to purchase additional pension credit for periods of City service, government service or military service which occurred prior to your current City employment. Purchases can only be made in accordance with Section 22-800 of the Pension Code. To obtain an application for purchase of pension credit, you may contact the Board of Pensions at (215) 685-3456 or (215) 685-3457.

Beneficiary Information / *Attn Retirees:*

Your pension payments are payable for your lifetime. Your next of kin should be aware that in the event you pass away, the Board of Pensions MUST be notified immediately. There’s an application process for survivor benefits which enables the payable amount to be transferred to their name and social security number. Under no circumstances will the Board pay a survivor in your name so please let your next of kin know to make the notification and they will be advised of the next steps. Any payments distributed beyond your date of death must be repaid.

Retiree Medical and Life Insurance

Retiree medical and life insurance benefits are administered by the Benefits Unit of the City’s Office of Human Resources. All inquiries about retiree medical benefits should be made directly to Benefits Unit staff as noted below.

Contact information for retiree medical is:

Leontyne Freeman	215-686-0612	Leontyne.Freeman@phila.gov
Sheron McLean	215-686-0614	Sheron.McLean@phila.gov
Stephanie Hill (Retiree Personal Choice)	215-686-0616	Stephanie.Hill@phila.gov
Vanyell Stith (Retiree Keystone)	215-686-0618	Vanyell.Z.Stith@phila.gov

Retiree Life Insurance 215-686-0859

Frequently Asked Questions:

This question and answer piece is designed to assist our members and retirees by listing the types of questions pension counselors and staff receive on a regular basis. You can also contact one of our friendly and knowledgeable employees with questions specific to your situation.

Q: For the past five years I worked at the University of Delaware and have recently taken an exempt position with the City. May I purchase credit for the time I spent working at the University?

A: Yes. Prior employment with a state University is eligible for purchase. You should note, however, that as an exempt employee, your time cannot be used to meet your initial vesting requirement. You will need to work for the City for five years before you are eligible to receive a pension at retirement age. Furthermore, you may only purchase time for prior government service that does not entitle you to a pension from that employer.

Q: I spent eight years in the Army and am currently a member of the Philadelphia Police force. I am eligible to receive a pension based on my time in the Army. Can I purchase this service credit?

A: Yes. You may purchase up to ten years of eligible credited service. If you are receiving or entitled to receive a military pension, as long as your eligibility for a military pension is not the result of full-time service it may still be purchased.

Q: I'm a former firefighter that separated from employment six months ago, and I suffered an injury for which I am currently receiving workers compensation. How long do I have to file an application with the Board for a service connected disability pension?

A: The Retirement Code provides that an application must be filed within one year of separation. After that, and pursuant to Board regulations, permission to apply late must be granted by the Board.

Q: I'm 57 years old, a member of pension plan J, and currently receiving a pension from the City. Recently, I was offered the opportunity to return to the City as a full time employee in the Finance Department. If I accept, will I continue to receive my pension while I am working?

A: No. The Retirement Code provides that your pension benefits will be suspended while you are working again for the City.

Q: I've seen reminders from the Pension Board encouraging members to keep their beneficiary forms updated. Won't my retirement benefits go to the person(s) I specify in my will?

A: No. By law, the Board must administer benefits to that person(s) listed on the form(s) on file with the Board. Keep your form(s) updated so that your benefits can be left to the person(s) of your choosing.

Q: I'm interested in saving additional money for my retirement. Are there other programs available to me beyond the defined benefit pension?

A: Yes. You may make voluntary contributions (directly from your paycheck) to a deferred compensation plan which is currently administered by Nationwide. Visit www.philly457.com for additional details and registration materials.

Active Employee Retirement Seminars

Below please find dates for the 2023 retirement seminars for Active Employees. The seminars will be virtual on TEAMS requiring registration. *Active or current* employees should watch for the announcement /registration link in the Citywide employee newsletter.

• April 11 • August 22 • December 19

Each day will have 2 sessions: 10-12 pm and 2-4 pm.

Topics will include: *Pensions • Health and Welfare • Deferred Compensation*

Keep in Touch When You Move

If you are retired and planning to move, please remember that you must make sure to notify the Board of Pensions of your address change. The Board occasionally receives mail that is returned by the postal service due to an outdated address. **If the Board determines that you cannot be located, monthly payments may be discontinued until you contact the Board.** To prevent your payments from being stopped, keep the Board up to date on your moves. You can access a Change of Address form on the Board's website at <http://www.phila.gov/pensions/reports>.

E-Mail the Board of Pensions!

Did you ever have a question about your pension after office hours have ended? Do you prefer to communicate via email instead of on the phone?

Have you ever had difficulty calling the Board during high call volume periods? Would you like to be able to provide detail and attachments in your communications with the Board? If you answered yes to any of these questions, you can now email the Board at Pensions.Inquiry@Phila.gov.

2023 PAYMENT DATES CLIP AND SAVE

Regular monthly pension payments for the remainder of 2023 are scheduled for the dates listed below. Direct deposit payments will be in your account on these dates. For non-direct depositors, the dates below are the dates on which checks will be mailed. Except for December, these payment dates are always the final working day of the month.

MARCH	31
APRIL	28
MAY	31
JUNE	30
JULY	31
AUGUST	31
SEPTEMBER	29
OCTOBER	31
NOVEMBER	30
DECEMBER	18



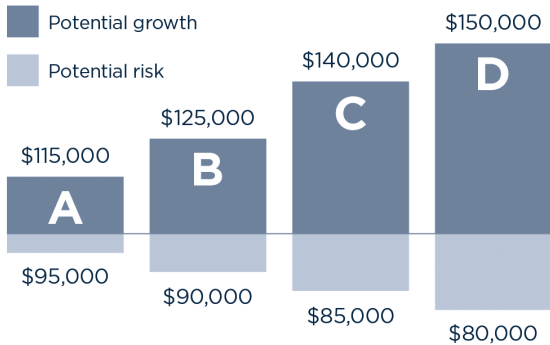
It's time to review your investments

Your risk tolerance may change over time, so it's wise to periodically review how your retirement account is invested. If you're ready for a change, Nationwide can facilitate a reallocation of your investments.

The answer to that question is a big indicator of whether you're a more conservative or aggressive investor. Let's talk and make sure your portfolio mix is aligned with your individual goals.

Potential Risk vs. Reward

Let's imagine you invested \$100,000 for one year. Which portfolio shown here best describes your tolerance for risk?



This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.



Contact Don Marchesiello, CFP® or a Retirement Plan Analysis at 215-568-1964 or email at marchd2@nationwide.com



Shawn McDonald
215-804-6161
mcdons3@nationwide.com



Cristina Gibson
267-205-6606
gibsc3@nationwide.com



Call the specialists above or scan this code to use the My Investment Planner online tool

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Philadelphia
Deferred
Compensation

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IMPORTANT TELEPHONE NUMBERS

The Board of Pensions has new telephone numbers. The most frequently used numbers are shown below:

Board's Main Number
215-685-3480

Board's 800 Number
800-544-1173

Board's Fax Number
215-496-7420

City Administered Life Insurance*
215-686-0859

Deferred Compensation
215-568-1960

Direct Deposit
215-685-3432

District Council #33 Health & Welfare
215-895-3300

District Council #47 Health & Welfare
215-893-3775

DROP Applications
215-685-3479

215-685-3438

DROP Appointments
215-685-3441

Firefighters Local #22
215-440-4400

FOP
215-629-3600

Pension Estimates
215-685-3441

Pension Withdrawals
215-685-3427

Police Law Enforcements Health Benefits (LEHB)
215-763-8290

Purchase of Service Applications
215-685-3456

Retiree Direct Deposit Application
215-685-3453



*Please note that City Administered Life Insurance is not a Pension Benefit but a City Benefit processed through the City Benefit Unit and Minnesota Life Insurance