

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 at its meeting on December 18, 2003, the Board found 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. "Enrollment" refers to the date on which the member's application and supporting documentation are received by the Board.

6.1.1. [Rescinded.]

6.1.2. [Rescinded.]

6.1.3. Application.

As used in Section 22-301 of the Retirement Code, "Application" shall mean the process by which an employee submits both an application and required supporting documentation, enrolling in DROP. The employee selects and commits to a particular entry date on the application, subject to the requirements of Section 22-301(5)(a).

6.1.4. Enrollment is irrevocable. Once the application and supporting documentation have been received by the Board, the employee has been enrolled in the DROP and may not rescind enrollment or change the selected entry date.

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) of the Retirement Code to mean that "active service" 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 Amendments deleting Paragraphs 6.3 and adding Paragraphs 6.4, approved by the Board January 15, 2003 and became effective February 23, 2004

Amendment adding paragraph 6.5 approved by Board September 16, 2004, effective October 22, 2004

Amendments revising ¶¶ 6.1, 6.1.3 and 6.1.4 and rescinding 6.1.1 and 6.1.2 approved by the Board June 3, 2014, effective July 14, 2014.