

Philadelphia Board of Pensions and Retirement



Summary Plan Description

**Plan A
Plan B
Plan L
Plan Y**

**TWO PENN CENTER PLAZA, 16TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19102**

INTRODUCTION

This booklet is a Summary Plan Description for Plan 87.

This Plan was developed by the City in order to comply with the mandate of State Act 205. In its most basic interpretation, Act 205 required the City to formulate a pension plan which would be less expensive to administer than its other plans. The adoption of this plan enabled the City to receive additional funding from the State, thereby enhancing the Retirement System.

Plan 87 covers the following employee groups:

PLAN A – All Fire employees hired or re-hired on or after July 1, 1988.

PLAN B -- All Police uniformed and investigatory employees hired or rehired on or after July 1, 1988.

PLAN L – All Officials elected in any general, municipal or special election who took office on or after January 8, 1987.

PLAN Y – All municipal employees represented by AFSCME District Council 33 and AFSCME District Council 47, Locals 2186 and 2187, hired or rehired after October 1, 1992. All Civil Service-Exempt, Appointed, and Non-represented employees and employees of the First Judicial District of Pennsylvania hired or rehired after January 8, 1987. Deputy Sheriffs and employees of the Register of Wills hired or rehired after July 1, 1988.

PREFACE

Retirement means something different to each of us. Basically, though, after a career we all look forward to having time for our favorite pursuits, having enough money to enjoy them, and having a feeling of financial security.

There is no question about the time. We all expect to have plenty of that. But most of us in today's economy would find it difficult, if not impossible, to provide on our own the financial security of an adequate, dependable income after we retire. We need some help.

The City of Philadelphia meets this need of its employees through a modern and efficient Retirement System. This System provides you, the career City employee, with a monthly retirement income for life in addition to Social Security benefits which you receive if you are a non--uniformed employee. Basic retirement income will be provided by these two sources – you might also want to have “something extra” in the way of personal savings to allow for additional retirement security.

Philadelphia's Retirement System is provided for in the City Charter. In the Charter, City Council is told to adopt a “comprehensive, fair, and actuarially sound pension and retirement system covering all officers and employees of the City.” In other words, the Retirement System is **YOUR** system, designed to insure sufficient and reliable benefits for **YOU**.

Your Retirement System is administered by the Philadelphia Board of Pensions and Retirement. The 9-member Board acts through its Executive Director. The Board is composed of the Director of Finance, who serves as Chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City of Philadelphia. The elected members serve a four-year term.

In addition, a group of independent practicing physicians make up a Medical Panel which, when necessary, advises the Board on disability applications. Together, the members of the Board review and decide upon every pension application.

The laws that govern your Retirement System are very complex and have many special rules concerning specific jobs, groups of employees, and particular circumstances. This booklet will briefly explain the important parts of what your Retirement System offers, and how it protects you and your family, not only at retirement, but in situations which may arise before that time. **THIS BOOKLET IS NOT INTENDED TO BE – AND IT IS NOT – A COMPLETE EXPLANATION OF THE PENSION ORDINANCES.** However, you should read it carefully. Then, if you have questions about how any plan provision affects you, a Retirement Counselor at the Board of Pensions and Retirement will be most willing to help you. The complete pension code can be viewed at www.phila.gov/pensions. Click on Title 22.

IN THE EVENT OF CONFLICT BETWEEN THE PROVISIONS STATED IN THIS PENSION HANDBOOK AND THE CITY ORDINANCES WHICH MAKE UP THE BODY OF LAW THAT GOVERNS THE RETIREMENT SYSTEM. THE CITY ORDINANCES ARE CONTROLLING.

You may appeal any decision of the Board’s staff to the full Board of Pensions and Retirement by directing a written appeal, within 30 days of the date of the decision, to the Board’s Executive Director.

DEFINITIONS

Several of the terms used in this booklet or by your Retirement Counselor may be unfamiliar to you. Below, we offer a very short explanation of the meaning of certain words. Have a look at them – you’ll find that many sound more complicated than they actually are.

Board. Philadelphia Board of Pensions and Retirement.

Employee. Any person paid out of the Treasury of the City. All employees belong to one of the following three divisions:

- **Uniformed** – uniformed and investigatory employees of either the Police or Fire Department or the District Attorney’s Office.
- **Municipal** – all other employees (not in the Uniformed or Elected Divisions) of the City;
- **Elected** – officials elected in any general, municipal, or special election.

Compensation. The yearly salary you receive from the City.

Final Compensation. The last yearly salary you receive from the City.

Average Final Compensation. For members of Plans L and Y, this is the average of their three highest annual compensations calculated for either three calendar years or three anniversary years. For members of Plans A and B, this is the average of their two highest annual compensations calculated for either two calendar years or two anniversary years.

Credited Service. Any period of service as an employee for which regular member contributions are made. Also, any period of service for which credit is purchased in accordance with the provisions of Section 22-801 (Leaves of Absence Without Pay), Section 22-802 (Purchase of Governmental Service), Section 22-803 (Purchase of Prior City Service), Section 22-804 (Pension Credit for Former C.E.T.A. Employees) or Section 22-805 (Election of Fire Employees and Police employees Laid Off in 1978 and 1980 and Subsequently Reinstated to Purchase Pension Credit for the Layoff Period)—subject to such limitations and restrictions as are set forth in Chapter 22-800 of the Public Employees Retirement Code.

Retirement Benefits. Payments to a retired employee, or a disabled employee.

Beneficiary. The person who receives benefits upon the death of an active employee or vested member.

Domestic Relations Order. Any judgment, decree or order, including approval of a property settlement agreement, entered by a court of competent jurisdiction pursuant to a domestic relations law which relates to the marital property rights of the spouse or former spouse of a member, including the right to receive all, or a portion of, the moneys payable in furtherance of the equitable distribution of marital assets.

Survivor. The person who receives benefits upon the death of a **retired** employee.

Medical Panel. A group of physicians who assist the Board by making medical examinations or investigations, and reporting their findings to the Board.

Actuary. A person who studies pension systems and offers advice on how to keep them financially sound and strong.

Actuarial Report. The Actuary's findings, along with his recommendations and guidance.

Vested. Having sufficient credited service to be eligible to retire on a separation service retirement upon reaching the retirement age in the member's plan, currently 10 years*. **It is important to note that an employee is not necessarily vested on the 10-year anniversary of his or her hire date, since the employee may have breaks in service, such as a leave of absence without pay for which pension credit was not purchased or days for which the employee did not receive any pay and, therefore, did not make any pension contribution.**

***Certain members are eligible to participate in early vesting.**

The Retirement System – Who contributes?

There are several contributors to the fund of your Retirement system: YOU – the employee, the City and state; and the profitable returns of the Retirement System's investment program.

Employees

As a regular employee of the City, you contribute to the Retirement System by automatic deductions from your paychecks. The amount of the deduction will vary depending on the cost of the Plan of which you are a member.

The City and State

The major share of the cost of your benefits is contributed by the City of Philadelphia. The City's contribution is determined annually by the Board's actuary.

The City's contribution is supplemented by an annual payment from the state.

Investments

Another contribution to the Retirement System is provided by returns on investments. Investments are selected in accordance with a policy decided upon by the 9-member Board of Pensions and Retirement. The Board is aided in its decisions by outside professional investment consultants. The investment program is balanced to reduce risk and provide a consistently profitable return to the Retirement System.

FUNDING

The Board of Pensions and Retirement and the City of Philadelphia are very concerned about the condition of the Pension Fund. The Board is entrusted with the responsibility of monitoring the Fund to ensure the funding of future pension benefits. The City of Philadelphia guarantees its obligation to pay retirement benefits.

To assist the Board in its role as guardian of the Fund, the actuary evaluates the finances of the Fund on an annual basis to determine its soundness. The actuary issues a report of findings and recommendations, which the Board is

required to act on. This report is reviewed by the City Controller's Office and by the Commonwealth of Pennsylvania Auditor General's Office.

MEMBERSHIP

As a permanent employee of the City, you are automatically a member of the Retirement System. Beginning with the first day of your employment, the contributions to the Retirement System that are required of you are deducted from your paycheck.

If you are a temporary employee, and your employment will not last for more than six months, you may not be a member of the Retirement System. If your employment continues beyond six months, you will become a member of the Retirement System; and pension contributions will be deducted from your paycheck beginning with the first full pay period after expiration of your original six months. You may also purchase pension credit for your period of temporary employment by making application to the Board.

DISQUALIFICATION

As provided in both the ordinances and State law, no employee or any beneficiary of that employee is entitled to receive any benefit or payment of any kind under the Retirement System, if that employee is convicted or pleads guilty or no defense to a crime related to public office or public employment. Such an employee may be entitled to a return of contributions, without interest, except that the City has the right to assert a claim of the City as an offset against any return of contributions.

ELIGIBILITY REQUIREMENTS

What are the Eligibility Requirements for a Service Pension?

- **Police and Fire** employees are eligible to retire at **age 50** after having completed 10 years of credited service.
- **Municipal (civilian) employees** are eligible to retire at **age 60** after having completed 10 years credited service.
- **Elected Officials** are eligible to retire at **age 55** after having completed 10 years of credited service.
- **Employees who are covered by early vesting provisions may retire at the above-noted ages, after having completed 5 years of credited service for members of Plans A, B and Y; after having completed 8 years of credited service for members of Plan L.**

What is Credited Service?

Credited service is any period for which an employee pays pension contributions. When an employee gets paid, pension contributions are deducted from his paycheck. So, any day that an employee works and contributions are deducted constitutes credited service. Also, the Ordinance may permit an employee on leave of absence to pay contributions for their leave and receive credit or an employee to purchase pension credit for their prior military or governmental or other eligible service.

How is the Benefit Calculated?

Police and Fire Employees

- For each year, month and day of credited service **up to, and including, 20 years** the benefit is **2.2% of average final compensation.**

- For each year, month and day of credited service **in excess of 20 years**, the benefit is **2% of average final compensation**.

EXAMPLE: A Police or Fire Employee has 25 years of credited service. The employee would receive 54% of average final compensation:

$$\begin{aligned} \text{First 20 years X 2.2\%} &= 44\% \\ \text{Additional 5 years X 2.0\%} &= 10\% \end{aligned}$$

Municipal Employees

- For each year, month and day of credited service **up to, and including, 10 years**, the benefit is **2.2% of average final compensation**.
- For each year, month and day of credited service **in excess of 10 years**, the benefit is **2% of average final compensation**.

EXAMPLE: A Municipal Employee has 25 years of credited service. The employee would receive 52% of average final compensation:

$$\begin{aligned} \text{First 10 years X 2.2\%} &= 22\% \\ \text{Additional 15 years X 2\%} &= 30\% \end{aligned}$$

Elected Officials

- For each year, month and day of credited service, the benefit is **3.5% of average final compensation**.

EXAMPLE: An Elected Official has 25 years of credited service. The elected official would receive 87.5% of average final compensation:

$$25 \text{ years X } 3.5\% = 87.5\%$$

How Do You Figure The Average Final Compensation?

Police and Fire Employees

- Average of their **2 highest years of pensionable earnings**. Take the 2 highest salary years (they need not be consecutive, nor must they be the last 2 years) and divide by 2. Pensionable earnings include base pay, longevity and Police Stress Pay or Fire Premium Pay only.

Elected Officials and Municipal Employees

- Average of their **3 highest years' earnings**. Take the 3 highest pensionable earnings years (they need not be consecutive, nor must they be the last 3 years) and divide by 3. Pensionable earnings include base pay, longevity pay and overtime pay.

What Does That Translate To In Terms of Dollars Per Month?

Police or Fire Employee with 25 years of credited service and average final compensation of \$60,000.00.

$$\$60,000.00 \times 54\% = \$32,400.00 \text{ divided by } 12 = \$2,700.00 \text{ Per Month}$$

Municipal Employee with 25 years of credited service and average final compensation of \$50,000.00.

$\$50,000.00 \times 52\% = \$26,000.00$ divided by 12 = $\$2,166.67$ Per Month

Elected Official with 25 years of credited service and average final compensation of $\$105,000.00$.

$\$105,000.00 \times 87.5\% = \$91,875.00$ divided by 12 = $\$7,656.25$ Per Month

The benefits to which you are entitled at the time of your retirement become effective on the day following the termination of your service with the City. As a retiring employee, you can normally expect to receive your first paycheck for retirement benefits within six to eight weeks after you retire. This first payment will cover the amount due to you as of the date of your retirement. Your benefit payments continue for the remainder of your lifetime and, in most cases, for the remainder of your survivor's lifetime as well.

What Happens When Maximum Credited Service Has Been Attained?

The maximum allowable benefit for Plans A, B, L, and Y is 100% of average final compensation. This means that the maximum years of allowable credited service for Plans A and B is 48 years; for Plan Y is 49 years; and for Plan L, the maximum is 28.57 years. **When the maximum allowable credited service has been attained, whether through continuous membership in the Retirement System by employment or through the purchase of credited service for prior City, governmental, military and C.E.T.A. service or leaves of absence without pay or eligible layoff periods, the employee may elect to suspend further contributions.**

Upon written election, the employee will be entitled to a refund of all regular contributions made, without interest, after the date of completion of the maximum allowable credited service.

An employee who has attained the maximum allowable credited service and who had previously purchased prior governmental or military service credit may elect to forfeit credit for that service and receive a refund of the total purchase cost, including interest and penalties paid.

Any employee who elects to cease his contributions to the Retirement System shall have their pension benefit frozen as of the date their employee contributions cease. This means that any wage increase, or one of the employee's "highest salary years" that occurs after the date he ceases paying pension contributions will not be included in the calculation of average final compensation for pension purposes. The employee's retirement benefit will be determined as if he had retired from City service on the date he stopped making pension contributions.

EARLY VESTING

Who is Eligible?

Members of Plans A, B and Y hired on or after January 13, 1999 to positions that are both exempt from Civil Service and not entitled to be represented by a union. For newly hired members, participation in 5-year vesting is mandatory; for members who had prior City employment, participation is optional. However, the employee must elect to do so within 6 months of the date of rehire.

Members of Plan L elected to office after January 13, 1999. For newly elected members without any prior City service credit, participation in 8-year vesting is mandatory. For newly elected members who take office on or after January 2004 and have prior City service credit, participation is optional. However, the official must elect to do so within 6 months of taking office.

Cost of Early Vesting – Members of Plans A, B and Y will be required to pay a higher contribution rate for 5 years. Their contribution will then revert to their normal plan rate for the remainder of their employment. Members of Plan L will be required to pay a higher contribution rate for 8 years. Their contribution will then revert to the normal Plan L rate for the remainder of their employment.

For Optional Participants Who Were Actively Employed on January 12, 1999 Only – The election of early vesting is irrevocable. However, upon attaining 10 years of credited service, the member may elect 10-year vesting. After verification by the Board's staff that the member has 10 years of credited service, the additional early vesting contribution paid will be refunded without interest.

What are the benefits of Early Vesting?

Eligible members of Plan Y are entitled to receive a monthly pension benefit at age 60, or, if applicable, are eligible to make application for ordinary disability benefits after having attained 5 years of credited service (either through regular employment or purchase of any type of credited service.) Upon the employee's death, their designated beneficiary would have the choice of receiving an annual pension benefit or a lump sum payment.

Eligible members of Plan L are entitled to receive a monthly pension benefit at age 55 or, if applicable, eligible to make application for ordinary disability benefits after having attained 8 years of credited service (either through regular employment or purchase of any type of credited service). Upon the employee's death, their designated beneficiary would have the choice of receiving an annual pension benefit or a **lump sum payment**.

EXAMPLE: Using the same calculation used earlier - A member who participates in early vesting under Plan Y separates from employment with 7 years of credited service and \$50,000 average final compensation. At age 60 (normal retirement age for Plan Y) the member would be entitled to a monthly pension benefit as follows:

$\$50,000 \times 15.4\% (7 \text{ years} \times 2.2\%) = \$7,700.00 \text{ divided by } 12 = \641.66

OPTIONAL EARLY RETIREMENT

The Plan also includes an option to retire early. **Municipal employees** can retire as early as age 52 if they have 10 years of credited service (**Members participating in early vesting may exercise the early retirement option; however, because of the benefit reduction involved, it may not be a feasible option.**) **Police and Fire employees** can retire at age 40 with 10 years of credited service. For early retirement, the benefit calculation is the same as previously noted--except there is a reduction of one-half of 1% for each month the employee is younger than the minimum retirement age.

EXAMPLE: Using the same calculation used earlier— A Municipal Employee with 25 years of credited service and \$50,000.00 average final compensation.

$\$50,000.00 \times 52\% = \$26,000.00 \text{ divided by } 12 = \$2,166.67 \text{ Per Month}$

Except in this case, the retiring employee is only age 58—two years younger than the minimum retirement age of 60.

2 years = 24 months
 $\frac{1}{2}$ of 1% X 24 = 12%

So, the monthly amount is reduced as follows:

$\$2,166.67 \times 12\% = \260.00

The optional early benefit is: $\$2,166.67 - \$260.00 = \$1,906.67 \text{ Per Month}$.

Additionally, any **Police or Fire employee** who has 25 years or more of credited service and any **Municipal employee or Elected Official** who has 33 years or more of credited service is eligible for early retirement benefits, **regardless of age and without any reduction of the monthly benefit.**

SEPARATION SERVICE BENEFITS

The Plan also provides a separation service benefit. This means that an employee who is vested--that is, has completed 10 years* of credited service (see definition of "Vested" in the "Definitions" section of this booklet)--but is too young to qualify for regular retirement or optional early retirement may separate from City service, leave his contributions with the Retirement System and collect benefits at a future date--either when he reaches the minimum retirement age for his plan or when he reaches the minimum retirement age for optional early retirement benefits. Of course, if he decides to collect the benefit early, before minimum retirement age, it will be reduced as previously illustrated under optional early retirement (1/2 of 1% for each month under minimum retirement age). If an employee leaves his job, planning to collect separation service benefits but dies before he is eligible, it will be treated as the death of an active employee; and his beneficiary will be eligible for ordinary death benefits.

***For members participating in early vesting under Plans A, B or Y – completed 5 years of credited service.
For members participating in early vesting under Plan L – completed 8 years of credited service.**

DEFERRED RETIREMENT OPTION PLAN – DROP

What is DROP?

DROP is an enhancement to your current pension plan. When you elect to participate in DROP, you cease to make contributions to the Retirement System, and your monthly pension benefit is calculated as of the day before your DROP enrollment date. For this reason, if you want to purchase any type of credited service, application (which must include required verification of any prior governmental service from your former employer or a copy of your DD-214) must be made before your DROP enrollment date; AND you must complete payment for any purchase of service credit within ninety (90) days from the DROP enrollment date. Your monthly pension benefit is then credited to a tax-deferred interest-bearing account, the interest rate for which is determined by the Board of Pensions and Retirement. You can continue to work for the City of Philadelphia for up to four years. When you officially retire within four years of your DROP enrollment date, you will begin to receive your monthly pension benefit, plus the accumulated balance in your DROP account. YOUR ELECTION TO PARTICIPATE IN DROP IS IRREVOCABLE.

Who Is Eligible to Participate?

Any employee who has attained at least 10 years of credited service* and attained the normal retirement age of their plan – Plans A and B – Age 50; Plan L – Age 55; Plan Y – Age 60. You should make application approximately 120 days before the date you wish to enroll in DROP. For further information concerning DROP, call 215-496-7430 to arrange an appointment with a pension counselor.

*Note: Members participating in early vesting under Plans A, B, L and Y, although vested with less than 10 years of credited service, must have at least 10 years of credited service to participate in DROP.

Once you elect to participate in DROP, your participation is irrevocable.

Example of a DROP Benefit

If your service retirement benefit is \$1,650.00 monthly and you remain in DROP for the maximum four-(4) year period, upon separating from city employment you will be entitled to a your accumulated DROP proceeds of approximately \$86,600.00 and the service retirement benefit of \$1,650.00 that was being credited to your DROP account begins to be paid to you on the last working day of each month.

Extraordinary Extension

The Mayor may determine that an extraordinary circumstance exists which threatens public health, safety and welfare, and where it would be in the City's best overall interests to extend participation, participants in the DROP who are in their fourth year in the program may remain employees of the City for up to one additional year beyond the four (4) year limit under the same terms and conditions of the DROP.

DEATH BENEFITS

What's The Difference Between Death Benefits And Survivorship Benefits?

Survivorship benefits become payable when a **retired** employee dies. Death benefits are payable when an **active** employee dies or when a vested employee who has separated from City employment dies prior to receiving separation service benefits.

SURVIVORSHIP BENEFITS

The monthly amounts calculated earlier in this booklet are before any reduction for survivorship benefits. Survivorship benefits are those that are paid upon the death of a **retired** employee. There are three survivorship options under Plans B, L and Y. Plan A has a fourth survivorship option. Two of the four survivorship options involve reductions in the monthly pension amount. The amount of the reduction is based on the ages of the retiree and the retiree's designated survivor(s).

An employee may designate the following people as his survivors:

Spouse*

* Please note as of November 23, 2004, the Pension Board no longer recognizes a "common-law marriage"

Life Partner**

** must prove Life Partner as required under the Phila. Code Title 9-1106(2) including having on file a valid Verification as required under Title 9-1106(2)(b)

The natural or adopted child or children of the employee

A trust for the benefit of a disabled natural or a disabled adopted child provided that the following conditions are met: the beneficiary of the trust shall be irrevocable no later than the date of the retirement or death of the employee or member, whichever occurs first, the trust must be a valid trust under Pennsylvania law or would be but for the fact that there is no trust corpus, the trust must be irrevocable, the beneficiaries of the trust must be identifiable from the trust instrument, a copy of the trust must be provided to the Pension Board within thirty-(30) days from the date of the employee's submission of the document designating the trust as a survivor, and in the case of an annual benefit to be paid monthly "for life" under this Ordinance, the determining life shall be the lifetime of the irrevocable beneficiaries of the trust.

The parent or parents of the employee

Anyone else related to the employee by blood or marriage

Any other person as designated by the employee

The estate of the employee if the employee retires under survivorship benefit Option 1.

An employee may not designate an estate (except for a return of contributions under Option 1) or an organization, like a charity.

Option 1 has no reduction, and the only benefit payable is a return of any unused pension contributions in the retired employee's account. This means that if an employee retired with \$30,000.00 in contributions and received only \$20,000.00 in benefit payments, then the remaining \$10,000.00 in his account would be payable to his designated survivor.

Option 2 generally incurs a sizable reduction in the monthly benefit. Upon the death of the retired employee, the retired employee's designated survivor(s) would receive for life the same amount which the retired employee had been receiving. For financial planning purposes, a good estimate is the pension benefit is reduced approximately 15%. This means if your unreduced benefit is \$1,650.00 monthly, your option 2 monthly benefit would be \$1,402.50 and this same monthly amount is payable to your designated survivor(s) for their lifetime.

Option 3 also involves a reduction in the monthly benefit. However, the reduction is not as great as the Option 2 reduction. Upon the death of the retired employee, the retired employee's designated survivor(s) will receive for life one half the amount which he had been receiving. For financial planning purposes, a good estimate is the benefit is reduced approximately 8%. This means if your unreduced benefit is \$1,650.00 monthly, your option 3 monthly benefit would be \$1,518.00 and 50% of this amount is payable to your designated survivor(s) for their lifetime.

Resignation Provision

If the designated survivor dies before the retired employee, the retired employee has one year from the date of the designated survivor's death to designate a new survivor. If the retired employee chooses not to designate a new survivor or if the year passes without the retired employee changing his designation, then the monthly benefit will be adjusted upward as though no survivorship option had been selected. The adjustment becomes effective on either:

1. The first day of the month following the retiree's written notice that he does not intend to name a new survivor; or,
2. The first day of the month following the expiration of the year in which the retiree had the option to name a new survivor.

THE OPTION TO DESIGNATE A NEW SURVIVOR CAN BE EXERCISED ONE TIME ONLY.

What Happens If The Retired Employee's designated Survivor Dies Before The Retiree And The Retiree Names A New Survivor Who Also Dies Before Him?

Since the retired employee only has one opportunity to designate a new survivor, he cannot name another survivor, but:

1. If the retired employee had retired under Option 1, upon his death, any unused contributions in his account will be paid to his estate.
2. If the retired employee had retired under Option 2 or Option 3, effective the first day of the month following the death of the last designated survivor, the retiree's benefit will be adjusted upward as though no option had been selected. Upon his death no further benefits will be paid.
3. If an employee retires without making any option selection and without designating any survivor, his monthly benefit will not be reduced at all. Upon his death, no further benefits will be paid.

Option 4 – With respect to a member of Plan D, Plan X, Plan J, Plan A, Plan B and police and fire members of Plan '10 only, there is no reduction in the monthly benefit in the event that the retired employee dies and no valid beneficiary exists. With respect to a member of Plan A only, the retired member will receive retirement benefits in the form of an annuity for life. If the retired member elected this option or dies without having elected any option, one-half of the amount of the member's retirement benefit, without reduction, shall be paid to the member's surviving spouse or life partner provided that they were married at least two (2) years or certified as a life partner for at least two years as required under the Phila. Code Title 9-1106(2) including having on file a valid Verification as required under Title 9-1106(2)(b) before retirement or the date on which a separated member became eligible to apply for retirement benefits.



Upon the death of the surviving spouse or life partner, if there is no surviving spouse who qualifies under the previous paragraph, the retirement benefit shall be paid to the dependent children, either natural or adopted, of the deceased member until each child attains age eighteen (18) or, if any such child remains dependent because of physical or mental infirmity, the duration of the infirmity. If there is no eligible child, the retirement benefit shall be paid to the dependent parent or parents of the deceased. Upon election of the member at any time during the member's life, any benefit otherwise payable after the member's death to a child who remains dependent at the time of the member's death because of physical or mental infirmity may instead be paid to a trust for the benefit of that child, so long as the trust meets the following conditions:

- (a) The beneficiary of the trust shall be irrevocable no later than the date of the election or death of the member, whichever occurs first,
- (b) The trust must be a valid trust under Pennsylvania law or would be but for the fact that there is no trust corpus,
- (c) The trust must be irrevocable,
- (d) The beneficiaries of the trust must be identifiable from the trust instrument,
- (e) A copy of the trust must be provided to the Pension Board within thirty (30) days of the date of the member's submission of the document designating the trust as a survivor, and
- (f) In the case of an annual benefit to be paid monthly "for life" under this Ordinance, the determining life shall be the lifetime of the irrevocable beneficiaries of the trust.

If there is no surviving spouse, dependent child or parent who qualifies, and the member dies before receiving retirement benefits equal to his or her member contributions, the balance shall be paid to the member's beneficiary.

Failure to choose option; members of plans not eligible for Option 4. If a member of Plan A, Plan B, Plan L, or Plan Y retires without electing a retirement benefit option among Option 1, Option 2 and Option 3, the member shall receive retirement benefits without actuarial reduction except for early retirement under § 22-303 (Optional Early Retirement Benefits). Upon the member's death, subject to the provisions of subsection (3), no further benefits will be paid.

Failure to designate survivor. When a member of Plan A, Plan B, Plan L, or Plan Y retires without designating any survivor and then dies, no further benefits will be paid; provided, however, that if such member is survived by a spouse to whom the member had been married two (2) years or more and with whom the member was living at the time of death, or with whom the member had one or more children who are under the age of eighteen (18) at the time of the member's death, the member shall be deemed to have designated such spouse as the survivor under Option 1.

Change of option. Until retirement, a member may revoke the election of any option under this section, and may elect any other option, except that only members of Plan D, Plan J or Plan X may elect Option 4. On retirement, subject to the provisions of § 22-702 (Designation of Survivors), the last election of any of the foregoing options shall be irrevocable.

Effect of designating impermissible survivor. Survivors shall be designated in accordance with the provisions of § 22-702 (Designation of Survivors). If a member designates a survivor not within a permissible class, such designation shall be invalid and of no effect, and any survivor shall be determined in accordance with the provisions of § 22-702 (Designation of Survivors). With respect to a member who had elected Option 1, any amount payable upon the death of such member shall be paid to the member's survivors, if any, in accordance with the provisions of § 22-702. With respect to a member who had elected Option 2 or Option 3, the additional amount that would have been paid to the member during the member's lifetime, if the member had not elected Option 2 or Option 3, shall be paid to the member's survivors, if any, in accordance with the provisions of § 22-702.

ORDINARY DEATH BENEFITS

The ordinary death benefit may either be a lump sum or a lifetime monthly pension depending on the deceased employee's length of credited service or his age. If the deceased employee is not vested and is younger than the minimum retirement age, the only benefit payable is the lump sum. For the lump sum, the beneficiary would receive the deceased employee's contributions, without interest, plus **an additional benefit equal to a percent (%) of the deceased employee's average final compensation not to exceed 100% of the average final compensation.** This amount would be reduced by the amount of Group Life Insurance paid for by the City.

EXAMPLE: Beneficiary would receive the employee's contributions, PLUS an Additional Death Benefit determined, as follows:

Average Final Compensation		Years of Credited Service	Years Required to Vest	Additional Death Benefit
\$50,000	X	8	10	= \$40,000
\$50,000	X	8	5	= \$50,000

LESS: Amount of Group Life Insurance paid by the City.

If the deceased employee has reached minimum retirement age or had 10 or more years of credited service*, the beneficiary may elect a lump sum benefit or a lifetime monthly pension. If the beneficiary chooses to receive a lifetime monthly benefit, the benefit will be calculated as though the deceased employee had retired with Option 2 survivorship benefits. (Refer to Option 2 under survivorship benefits above)

***Police and Fire employees will be considered as having 10 years of credited service. Employees participating in early vesting provisions under Plans A, B and Y with 5 or more years of credited service, and employees participating in early vesting provisions under Plan L with 8 or more years of credited service are vested.**

SERVICE-CONNECTED DEATH BENEFITS

If the death of any active employee is caused solely by the performance of his duties, his spouse, minor children, or dependent parents may be eligible to receive service-connected death benefits.

1. The spouse of the employee whose death has been determined to be service-connected will receive 60% of the deceased employee's final compensation provided that he or she was living with the employee at the time of death. Additionally, each child under the age of 18 shall receive 10% of final compensation. However, total benefits will not exceed 80% of the deceased employee's final compensation.
2. If there is no eligible spouse or if the spouse dies or remarries* and there are still children under age 18, the benefit payable will be 25% of final compensation to each minor child, but will not exceed 75% of final compensation.

***does not apply to a widow of a police uniform employee (PA State Act 184)**

3. If there are neither spouse nor children eligible for the benefit, payment will be made to a dependent father or mother. In that case the benefit would be 15% of final compensation for each dependent parent.

The service-connected death benefit also includes a return of the deceased employee's contributions without interest. Service-connected death benefits will be reduced dollar for dollar by any amount paid by Workers' Compensation.

If the spouse of the employee whose death has been determined to be service connected elects **ordinary death benefits** and dies while there are minor children (under age 18), the dollar amount of the benefit will be distributed proportionately among the surviving minor children. When a minor child attains age 18, or if a minor child dies, the benefit will be redistributed among the remaining minor children.

A service-connected death health care benefit is provided for the survivors of Police Officers and Fire Fighters whose deaths have been deemed service connected. Basically, the health care coverage provided would be the same as that to which the deceased employee would have been entitled. Specifically, coverage is maintained for the spouse for life or until remarriage* and for minor children up until age 18. However, if a child is enrolled as a full-time undergraduate student, payment will continue until age 22 or until the child ends his student status, whichever occurs first.

*** does not apply to a widow of a police uniform employee (PA State Act 184)**

SERVICE-CONNECTED DISABILITY BENEFITS

An employee who wishes to apply for service-connected disability benefits must do so within one year following his separation from City employment.

There is no minimum service requirement for service-connected disability benefits. To be eligible, the employee must be determined mentally or physically **permanently** incapacitated from further performance of the duties of his City position.

This determination is made by the Board, based on advice from the Board's Medical Panel. The Medical Panel and the Board must find that the **disability resulted solely from the performance of the duties of the employee's position.**

An employee who receives an award of Workers' Compensation Benefits and whose disability is deemed to be service connected, may not forego receiving a service-connected disability benefit in favor of a service benefit, ordinary disability benefit, or separation service retirement benefit. If the employee has applied for or is receiving such benefit and receives a Workers' Compensation Award for total or partial disability, his retirement application will be treated as if it were an application for service-connected disability benefits. If the Board then determines that the application meets the requirements for a service-connected disability benefit, the employee will be retired on that basis. If the employee is already receiving a service or ordinary disability benefit, that benefit will be converted to a service-connected disability benefit as of the date the employee separated from City employment.*

*** does not apply to a Fire Uniform or Deputy Sheriff employee**

The service-connected disability benefit payment is 70% of the employee's final rate of pay. The benefit also includes an option for return of the employee's contributions without interest. **However, if the employee exercises this option, he gives up the right to survivorship benefits for his beneficiary.**

If any employee is approved for service-connected disability benefits and is also awarded a Workers' Compensation Benefit, the disability benefit will be reduced dollar for dollar by any amount paid by Workers' Compensation. Alternately, the service-connected disability recipient may waive his right to receive Workers' Compensation.

ORDINARY DISABILITY BENEFITS

Any employee who wishes to apply for ordinary disability benefits must do so within one year following his separation from City employment.

To be eligible for disability, **Municipal employees** must have completed 10 years of credited service. **Fire employees** must have completed 5 years of credited service. **Police employees** must have completed 10 years of credited service, unless the disability is total and permanent in which case they will be considered as having 10 years of credited service. **Elected Officials** must have completed 10 years of credited service. **Employees participating in early vesting** provisions under Plans A, B and Y must have completed 5 years of credited service; **Elected Officials participating in early vesting** under Plan L must have completed 8 years of credited service. The disability must have occurred after the person was employed by the City; and the disability must not be the result of the employee's own wrongdoing.

No employee will be granted an ordinary disability benefit if their incapacity would qualify as a service-connected disability. Upon application for ordinary disability benefits from such employee, if the Board deems the disability service connected, the employee would be retired on a service-connected disability pension.

If an employee is receiving an ordinary disability benefit and is also receiving or eligible for Workers' Compensation benefits, the Board will terminate the ordinary disability benefit. The employee may then apply for separation service retirement benefits when the minimum retirement age in the plan has been attained.*

The disability benefit is calculated in the same manner as the regular service retirement benefit.

*** does not apply to a Fire Uniform or Deputy Sheriff employee**

PURCHASE OF CREDITED SERVICE

Following are periods of service which are eligible for purchase for pension credit with the Public Employees Retirement System. These periods of service credit, when purchased, will increase your total credited service for the purpose of calculating your annual pension benefit and attaining the 10 years (or less for those participating in early vesting) of credited service required for vesting.

EXAMPLE: A member of Pension Plan Y was appointed to City employment on April 5, 1993. Upon appointment, the member elected to purchase 2 years of prior governmental service credit. Member separated from employment effective June 30, 2001. The member would have 8 years, 2 months and 24 days of credited service for time worked during which the member contributed to the Retirement System and 2 years of credited service for the purchase of prior governmental service. The member would have total credited service of 10 years, 2 months and 24 days and would be vested.

Payment for purchases of service credit may be made in a lump sum or through a payroll installment account. An employee may be eligible to use deferred compensation under his 457 Plan under certain terms and conditions to make payment for the purchase of service credit.

LEAVES OF ABSENCE WITHOUT PAY

Employees may buy service credit for leaves of absence without pay of 90 days or less. They cannot purchase credit for leaves of more than 90 days except for the following types of leaves:

1. Member's Illness, Maternity or Injury – **maximum** 3 years;
2. Military leave, when it is original enlistment, original enrollment, draft, recall – duration of leave; **Employees cannot purchase credit for voluntary re-entry into the Military.**

3. Special Education or Training – duration of leave.

4. Service in a United Nations International Peacekeeping or Police Mission – duration of leave.

Employees must pay for their leave within 90 days of their return to work with the exception of a military leave of absence subject to USERRA (that is, military leaves which ended on or after December 13, 1994). If an employee makes application to purchase credit for a leave of absence beyond the 90-day deadline, they may purchase the credit by paying, in addition to the contribution due for the leave period, interest at the assumed actuarial rate compounded annually from the date the employee returned to service after the leave of absence to the date of application

For a military leave of absence which ended on or after December 13, 1994, the employee must complete payment for the leave on or before the earlier of a period which is three times the duration of such leave of absence OR five years. Again, if the employee makes application beyond the prescribed time period, they may purchase the credit by paying the contribution due, plus interest at the assumed actuarial rate compounded annually from the date the employee returned to service after the leave to the date of application. If a vested employee dies, his beneficiaries will have 90 days from the date of death to complete the payment and receive death benefits based on credited service, including the period of the leave. If the beneficiaries do not complete payment of the leave, their death benefits will be based on credited service without the period of the leave. Any payments made toward purchasing the leave will be refunded.

MILITARY AND GOVERNMENTAL SERVICE PRIOR TO CITY EMPLOYMENT

An employee may, under certain conditions, purchase up to a **maximum of 10 years** of pension credit for:

- (1) Active service in the Armed Forces of the United States which was characterized as “Honorable” or “Under Honorable Conditions” on the military discharge. **(Note: credit may be purchased for periods certified as active duty service with reserve or National Guard components of the U. S. Armed Forces.)**
- (2) Employment with the School District of Philadelphia, the Commonwealth of Pennsylvania, its agencies or its general purpose political subdivisions. This category includes SEPTA, Philadelphia Gas Works, Temple University, Philadelphia Community College, Housing and Redevelopment Authorities for Philadelphia and other cities of the Commonwealth, Philadelphia Convention Center, Philadelphia Municipal Authority, etc.
- (3) Employment with the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing; an educational organization which is a public school which provides elementary or secondary education through grade 12, as determined under State law.

An employee cannot purchase this pension credit if they have already received credit for this time with another pension system, that is, they are entitled to receive a pension from another retirement system based on this service time. **However, an employee may purchase credit for prior military service for which the member is or will be entitled to a military pension, if that employee’s entitlement to a military pension is based in whole or in part upon service in the military reserves.**

Application to purchase prior governmental or military service credit should be made within one year of the date of hire or rehire. An employee may purchase pension credit after the expiration of the one-year deadline, but the employee will be required to pay the assumed actuarial rate of interest compounded annually, from the date of hire or rehire to the date of application, IN ADDITION TO THE NORMAL PURCHASE COST.

PURCHASING PRIOR SERVICE

If an employee separates from City employment, withdraws his contributions and is later re-employed, he can repurchase credit for his prior service. **Application to purchase prior service credit should be made within one year of the date of their return to employment. An employee may purchase prior service credit after the expiration of the one-year deadline, but the employee will be required to pay interest at the assumed actuarial rate of interest, compounded annually, from the date of rehire to the date of application, IN ADDITION TO THE NORMAL PURCHASE COST.**

OTHER ELIGIBLE PURCHASES OF PENSION CREDIT

In addition to the above-mentioned service credit, employees may purchase credit for:

- **C.E.T.A. Employment – Any person hired by the City under the Comprehensive Employment and Training Program Act established by the Federal Government who later continued in their employment with the City may purchase pension credit for the period of that C.E.T.A. employment.**
- **1978 and 1980 Layoff Periods For Police and Fire Employees – Any police or fire employee who was laid off in 1978 or 1980 and was subsequently reinstated to City employment may purchase pension credit for the period of the layoff.**
- **Temporary Employment – Any period of temporary employment with the City of Philadelphia during which the employee did not contribute to the Public Employees Retirement System.**
- **Deferred Service – Any employee who had at the time of their appointment to City employment prior to 1967 elected to defer membership in the Public employees Retirement System may purchase pension credit for the period of deferment.**

PAYROLL INSTALLMENT ACCOUNT

Employees who wish to purchase prior City service, prior governmental or military service, temporary service, leaves of absence without pay, C.E.T.A. service, deferred service, eligible layoff service or any purchase of service credit mandated by the Pension Ordinances in the future may make payment through a payroll installment account. Under this arrangement, employees may opt to purchase eligible pension credit through payroll deductions from their paychecks--up to a maximum of 5 years or 130 payroll deductions. A 6% interest charge is assessed in addition to the purchase cost of the credited service for this payment method.

If an employee separates from City employment while in the process of paying on an installment account, he will have 90 days from the date of his separation to complete the payment. If he does not complete the payment within 90 days, **he has the option of requesting a refund of the total purchase cost or credit for that portion of prior service for which payment has been made.** If the employee dies while in the process of paying the installment account, his beneficiaries will have 90 days from the date of death to complete payment. If they do not pay it off within the 90-day period, **they have the option of requesting a refund of the total purchase cost or credit for that portion of prior service for which payment had been made.**

TRANSFERRING MEMBERSHIP IN DIVISIONS WITHIN THE PLAN

If any member of Plan Y is appointed to a position as a uniformed or investigatory employee in the Police Department, other than Commissioner or Deputy Commissioner, or in the District Attorney's Office, the

member will not become a member of Police Plan B until after completion of five years' service as a police employee.

If any member of Plan Y is appointed to a position as a unformed employee in the Fire Department, other than Commissioner or Deputy Commissioner, the member will not become a member of Fire Plan A until after completion of five years' service as a fire employee.

An employee who transfers from one division to another will be required to transfer service credit and coverage to the Pension division appropriate for his new job; and all rights and benefits will be determined by the provisions of the new division. There are two exceptions to this rule:

1. A Police/Fire employee who is transferred to Regulation 32 Payroll may stay in his previous division until he reaches minimum age in that division. Then, if he continues on Regulation 32, he must change divisions.

EXAMPLE: Policeman on Reg. 32 (for injury on duty) working as a Clerk II can stay in Police Division of the Plan until age 50. If he stays past age 50, he has to switch coverage to Municipal Division; but if he stays and switches, he must now stay to age 60 (minimum age for Municipal Division) unless he retires on disability before reaching age 60.

2. A member of the Police or Fire division with at least 10 years of credited service may switch to Municipal Division and remain vested in Police/Fire Division. He will then accumulate additional coverage under the Municipal Division. When he retires from the Municipal Division at age 60, he will get the sum of the benefits earned in each division; but he must stay until age 60 unless he gets a disability prior to reaching age 60.

SEPARATING FROM CITY SERVICE AND RE-EMPLOYMENT

If an employee separates from City employment and withdraws their pension contributions, all rights of the employee, including any survivor or beneficiary of the employee, cease. This includes the right to appeal to the Board any decisions of the staff. The former employee also loses the right to apply for any benefits under the System, except employees have **one year** from the date of their separation to apply for disability retirement benefits. Upon withdrawal of contributions, it is as if the employee never belonged to the Retirement System. Should the employee later become re-employed by the City, the employee's rights under the System would be determined solely by the provisions in effect at the time of that re-hire.

If an employee separates from City employment and does not withdraw their pension contributions, upon reinstatement to City employment, the employee continues membership in the plan in which he was participating at the time of separation and retains the pension service credit earned during the prior period(s) of City employment. Non-vested employees may make application for a refund of their pension contributions at any time after separation from employment. Vested employees may request a refund of pension contributions at any time after separation from employment **prior to attaining the age at which they would be eligible for OPTIONAL EARLY retirement benefits in their plan. Pension contributions left on account with the Public Employees Retirement System do not earn interest.**

RE-EMPLOYMENT FOLLOWING RETIREMENT

If someone retires and is later reappointed to City employment, his pension will be suspended immediately upon his return to work. If he works less than 3 years and separates from employment, his previous pension benefit will be reinstated; and the contributions he paid during his second period of employment will be returned. If he comes back and works 3 years or more, his service will be combined and he will receive a new pension based on the combined credited service.

SUMMARY

It is the hope of the Philadelphia Board of Pensions and Retirement that this booklet has given you a general understanding of the rights and benefits provided for you in your Retirement System. Because the System is complex, it would be impossible to give a complete description of all the provisions of the program. You'll probably have questions concerning your own personal situation and membership in the Retirement System. For this reason, specifically, the Board of Pensions has trained retirement counselors at your service.

When it gets near the date on which you would like to retire, you should notify the personnel officer of your department. He will then provide you with the necessary forms regarding your retirement and arrange an appointment for you with a retirement counselor. At your interview at the Board, your retirement plans will be discussed. You will also be counseled on how the Internal Revenue Service generally treats the taxability of pensions and on what we can do for you by making certain deductions.

The regional office of the Internal Revenue Service can furnish you with forms you use in completing your return, and with special information booklets to help you with the return. For specific answers or legal counseling you should talk to your lawyer, your accountant, or the Internal Revenue Service. Be sure to keep all records and documents regarding your membership in the Retirement System with your other valuable papers.

The Board's counselors are ready to provide you with all the service and information possible. Both active and retired employees may contact a retirement counselor for prompt, efficient and confidential advice and assistance on any retirement related matter. You may make an appointment to talk to a counselor by calling 215-496-7430. The offices of the Board are located on the 16th Floor, Two Penn Center Plaza, 15th Street and John F. Kennedy Boulevard, Philadelphia, PA 19102.

Finally, you should keep an interest in the Retirement System, and understand how it works and how it applies to you. Remember, it is YOUR program, and is one of the very best available.

Keep Your Beneficiaries Up To Date

You may file your beneficiary designations and make any changes to them, any time BEFORE the day that you begin your retirement. After that day you cannot change your decisions, except as stipulated under Survivorship Benefits.

Valid beneficiaries, as stipulated in Section 22-701 of the Retirement Code, are as follows:

The spouse living with the employee at the time of his/her death, or entitled to support by him/her;

The natural or adopted child or children of the employee; and

Parent or parents of the employee.

The following people only when specifically designated by the employee:

A step-child or foster child of the employee;

A child to whom the employee stood in loco parentis (in place of the parent);

Any person to whom the employee is legally obligated to support;

Any relative by blood or marriage; and

Any other person as designated by the employee.

If you die as an employee without having named a valid beneficiary, benefits will be paid only to the following and in this order:

1. The spouse living with the employee at the time of his/her death, or entitled to support by him/her.
2. The natural or adopted child or children of the employee
3. Parent or parents of the employee
4. The employee's estate

A Message About the Importance Of Having A Valid Beneficiary Designation On File

As explained under the section on Ordinary Death Benefits, in many cases a lifetime monthly pension is payable to a deceased employee's beneficiary. For this reason, it is extremely important that you maintain a valid beneficiary designation. A valid beneficiary may be any of those persons listed in the section immediately preceding this one.

It is important to remember to change your beneficiary as your life situation changes.

For instance, suppose you came to work for the City when you were single and named your parents as beneficiaries. Sometime later, you married and had children but never changed your beneficiaries. Upon your death, as an active employee, your parents are still your designated beneficiaries. Your wife and children would not be eligible for benefits unless your parents agree to waive their rights. Most parents would probably waive their rights to insure that their grandchildren are provided for. But what about those, who, for reasons of their own, are not willing to relinquish their rights to a benefit? **Do you think this could never happen?** Look at the following **true** case if you doubt it:

Horace was a City Policeman for more than 10 years. When he was employed by the City, he was single and designated his father as his pension beneficiary.

During his City career, Horace married twice, each time neglecting to change his pension beneficiary.

Horace died on January 25, 1981, while an active employee. At the time of his death, he was married and he and his wife were expecting their first child.

Unfortunately, since Horace had not changed his beneficiary from his father to his wife, his wife was not entitled to any death benefits. The father, who was a validly designated beneficiary, not only refused to waive his rights in favor of the wife, but also refused to apply for benefits for himself. As a result, no benefits are being paid to anyone even though Horace had more than 10 years of City service.

CHECK YOUR BENEFICIARY DESIGNATION!

Also, the Board is empowered by Section 8-407 of the Home Rule Charter and Section 22-107 of the City of Philadelphia Public Employees Retirement Code to make all necessary regulations to carry into effect the provisions of the Retirement Code. These regulations are available at www.phila.gov/pensions or during normal business hours at the Board's office located at 1500 J. F. Kennedy Blvd. Two Penn Center Plaza 16th Fl. Phila., PA 19102.