

INTRODUCTION

This booklet is a summary plan description for Plans D, J, and X. Eligibility for Plan membership is listed below.

PLAN D – All Police uniformed and investigatory employees hired prior to July 1, 1988.

PLAN J – All Municipal employees represented by AFSCME District Council 33 and AFSCME District Council 47, Locals 2186 and 2187 hired prior to October 2, 1992.

All Civil Service-Exempt, Appointed, and Non-represented employees, and employees of the First Judicial District of Pennsylvania hired prior to January 8, 1987.

All employees of the Sheriff's Office and Register of Wills hired prior to July 1, 1988.

PLAN X - All Fire employees hired prior to 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 nine-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 City Controller, the Personnel Director 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 its decisions. 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.

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 Plan J, this is the average of their three highest annual compensations calculated for either three calendar years or three anniversary years. For members of Plans D and X, this is the highest compensation received during a consecutive 12-month period, or their final base rate of pay with stress or premium pay.

Credited Service. Any period of service as an employee for which regular member contributions are made. Also, any other 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 or disabled member.

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 or disabled member**.

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 the employee did not purchase pension credit or days for which the employee did not receive any pay and, therefore, did not make any pension contribution.**

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 pension contribution rate for Plans D, J and X is 6%. Municipal employees who are covered under Social Security contribute 3.75% to the Pension Fund. This is because 2 ¼% of the contribution is offset toward the Social Security Payroll taxes you pay. If you surpass the maximum earnings subject to Social Security, you then contribute the full 6% contribution for the remainder of the calendar year.

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 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 Retirement Pension?

- **Police and Fire** employees are eligible to retire at **age 45**
- **Municipal (civilian)** employees are eligible to retire at **age 55**

Retirement is a lifetime monthly benefit. However, if an employee has attained the minimum retirement age in their plan and has worked for the City for at least one year, but not more than 3 years, the employee has the choice between a lifetime monthly pension or a one-time lump sum benefit.

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 Retirement Code 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 service or other eligible service.

How is the Benefit Calculated?

For Police and Fire Employees:

- For each year, month and day of credited service the benefit is **2.5% of average final compensation**.

EXAMPLE: A Police or Fire Employee has 25 years of credited service. The employee would receive 62.5% of final compensation.

$$25 \text{ years} \times 2.5\% = 62.5\%$$

NOTE: The maximum percentage of average final compensation Police or Fire employees can receive is 100%.

For Municipal Employees:

- For each year, month and day of credited service **up to, and including, 20 years** the benefit is **2.5% 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 Municipal Employee has 25 years of credited service. The employee would receive 60% of average final compensation:

$$\begin{array}{lcl} \text{First 20 years} & \times & 2.5\% & = & 50\% \\ \text{Additional 5 years} & \times & 2.0\% & = & 10\% \end{array}$$

NOTE: The maximum percentage of average final compensation Municipal employees can receive is 80%.

How Do You Figure The Average Final Compensation?

Police and Fire Employees

Average Final Compensation is the highest of the following two figures:

- Your salary during the highest uninterrupted 12-month period. Salary includes base pay, longevity and police stress pay or fire premium pay only. **Salary does not include overtime, shift differential, holiday pay, or lump sum payments.**

OR

- Your final base rate of pay plus stress or premium pay (excludes longevity pay).

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.

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.

$$\$60,000.00 \times 62.5\% = \$37,500.00 \text{ divided by } 12 = \$3,125.00 \text{ Per Month}$$

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

$$\$50,000.00 \times 60\% = \$30,000.00 \text{ divided by } 12 = \$2,500.00 \text{ Per Month}$$

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 D and X is 100% of average final compensation. This means that the maximum years of allowable credited service for Plans D and X is 40 years. For Plan J the maximum is 80% or 35 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 service, governmental, military, CETA, leaves of absence 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 if one of the employee's "highest salary years" occurs after the date he ceases paying pension contributions, it 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.

OPTIONAL EARLY RETIREMENT

The Plan also includes an option to retire early. Municipal employees can retire as early as 52 if they have 10 years of credited service. Police and Fire employees can retire at age 40 with 10 years of credited service. For early retirement the benefit calculation is the same 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 average final compensation—normal retirement benefits are calculated as follows:

$$\text{\$50,000.00} \times 60\% = \text{\$30,000.00} \text{ divided by } 12 = \text{\$2,500.00}$$

Except in this case the retiring employee is only age 53—two years younger than the minimum retirement age of 55. So, the monthly amount is reduced as follows

| Reduction % | Reduction Amount | Monthly Early Retirement Benefit |
|--------------------------------|---------------------------|---|
| 12% | \$300 | \$2,200.00 |
| (1/2 of 1% X 24 months) | (\$2,500.00 X 12%) | (\$2,500.00- \$300.00) |

SEPARATION SERVICE BENEFITS

The Plan also provides a separation service retirement 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 System and collect benefits when he reaches the minimum retirement age for his plan or can collect an optional early retirement benefit. If an employee leaves his job planning to collect separation service benefits or optional early retirement benefits but dies

before he becomes eligible by attaining the required retirement age in his plan, it will be treated as the death of an active employee and his beneficiary will be eligible for ordinary death benefits.

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?

You must have at least 10 years of credited service and have attained the normal retirement age in your plan – Plans D and X – Age 45; Plan J – Age 55. You should make application approximately 120 days before the date you wish to enroll in DROP. However, the enrollment date will be the beginning of a full pay period. To obtain an application go to www.phila.gov/pensions or for further information concerning DROP, call 215-496-7430.

Example of a DROP Benefit

If your service retirement benefit is \$2,000.00 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 \$104,877.00 and the service retirement benefit of \$2,000.00 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 Ordinary Death Benefits And Survivorship Benefits?

Survivorship benefits become payable when a **retired member** dies. Ordinary Death benefits are payable when an **active** employee dies or when a member awaiting separation service benefits dies.

SURVIVORSHIP BENEFITS

Survivorship benefits are those that are paid upon the death of a **retired** member. There are four survivorship options, two of which involve reductions in the monthly pension amount. The amount of the reduction is based on the ages of the retiree and his designated survivor

An employee may designate the following people as 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.

Option 1 - There is no reduction in the monthly pension benefit. Upon the death of the retired employee, the designated survivor will be paid a lump sum equaling the balance of contributions to the Retirement System which have not been paid back to the retired member in retirement benefits. For example, if the retired member had contributed \$40,000.00 to the Retirement System, and at the time of death, received back \$34,000.00 in monthly pension payments, the remaining \$6,000.00 would be paid to the designated survivor. This feature is called a “guaranteed return of contributions”.

Option 2 – There is generally a significant reduction in the retired member’s monthly pension benefit. However, upon the death of the retired member, the designated survivor would receive the same monthly pension benefit as the retired member for life.

Option 3 – There is also a reduction in the monthly benefit under Option 3. The reduction, however, is not as great as the Option 2 reduction. That is because upon the death of the retired member under Option 3, his designated survivor will receive for life one half the amount which he had been receiving.

NOTE: Options 2 and 3 do not provide for a guaranteed return of contributions. However, should the designated survivor die before the retired member, the retired member may, within one year of the death of the designated survivor name another survivor. The option to redesignate a survivor

may be exercised one time only. If the retired member does not exercise the option within one year of the survivor's death, his pension benefit will be adjusted upward to reflect the absence of a survivor.

Option 4 -There is no reduction in the monthly benefit in the event that the retired member dies and no valid beneficiary exists. 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.

(2) *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.

(3) *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.

(4) *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.

(5) *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 had less than 10 years of credited service and is younger than 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 amount equal to the member's average final compensation multiplied by 10% for each full year of credited service** 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:

| Average Final Compensation | | Years of Credited Service | | | Add'l Death Benefit |
|-----------------------------------|----------|----------------------------------|----------|--------------|----------------------------|
| \$50,000 | X | 8 | X | 10% = | \$40,000* |

*** this amount is reduced by the Basic 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.

***Police and Fire employees will be considered as having 10 years of credited service.**

SERVICE-CONNECTED DEATH BENEFITS

If the death of any active employee is caused solely by the performance of his duties a service connected death benefit is payable to:

1. The surviving spouse who was living with the employee or entitled to support from the employee will receive 60% of the deceased employee's final compensation. 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 which the deceased employee would have been entitled. Specifically, coverage would be 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)**

DISABILITY BENEFITS

SERVICE-CONNECTED DISABILITY BENEFITS

Any 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.**

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 survivor.**

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.

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.

Note: Deputy Sheriff and Fire Uniform Classes may not be subject to all of these requirements.

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. 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.

Note: Members of certain employee bargaining units may not be subject to all of these requirements.

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 of credited service required for vesting.

EXAMPLE: A member of Pension Plan J was appointed to City employment on September 21, 1992. On October 15, 1997, the member elected to purchase 2 years of prior military service credit. The member separated from employment effective June 30, 2001. The member would have 8 years, 9 months and 10 days of credited service for time worked during which he contributed to the Retirement System and 2 years of credited service for the purchase of prior military service credit. The member would have total credited service of 10 years, 9 months and 10 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:**

- Member's Illness, Maternity or Injury – **maximum** 3 years;
- 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.
- Special Education or Training – duration of leave.

- **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 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's 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 an employee dies, their spouses, designated beneficiaries or legal representatives 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 contributions paid toward purchasing the leave will be refunded without interest.

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 Condition" 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.**

Employees must have 5 consecutive years of credited service before they are eligible to make application.

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.**

PURCHASING PRIOR SERVICE

A current employee who is a member of Pension Plans J, D or X may purchase service credit for prior period(s) of City employment by paying the pension contributions due under Plans J, D, or X if application

is made within one year after return to City employment. Upon expiration of the one-year period, an additional interest charge and penalty will be assessed as part of the repurchase cost.

OTHER ELIGIBLE PURCHASES OF PENSION SERVICE 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 for 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, C.E.T.A. service, temporary service, leaves of absence without pay, 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—for up to a maximum of 5 years or 130 payroll deductions. An interest charge of 6% 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 receiving pension credit for the portion of prior service for which payment has been made.** If the employee dies while in the process of paying the installment account, his surviving spouse or beneficiary will have 90 days from the date of death to complete payment. In this event, the spouse or beneficiary will be entitled to receive benefits based on this purchase of credit. 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 receiving pension 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 J is appointed to a position as a uniformed 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 D until completion of five years' service as a police employee.

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

If an employee changes from one division to another, he 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.

An 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 Regulation 32 (for injury on duty) working as a Clerk II can stay in Police Division of the Plan until age 45. If he stays past age 45, he has to switch coverage to Municipal Division; but if he stays and switches, he must now stay to age 55 (minimum age for Municipal Division) unless he retires on disability before reaching age 55.

SEPARATING FROM CITY SERVICE AND RE-EMPLOYMENT

If an employee who is a member of Municipal Plan J, Police Plan D or Fire Plan X separates from City employment, **IT IS IMPORTANT TO UNDERSTAND THAT:**

If the employee withdraws their pension contributions and is later reemployed, he will become a member of Pension Plan 87 (Municipal Plan Y, Police Plan B, or Fire Plan A). Employee will be permitted to purchase credit for prior service, but the pension credit will be purchased under Plan 87.

If an employee separates from City employment and withdraws their 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 that 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 later comes back to work, his pension will be stopped immediately upon his return to work. Future retirement benefits will be determined at the time of employee's separation.

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 in 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

Parent or parents of the employee

The following person or persons may be named only upon specific designation 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

A relative by blood or marriage

Any other person designated by the employee

The estate of the employee where he retired and chose either Survivorship Option 1 or Option 4

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 to whom the employee was married for at least two full years prior to his/her death, and was living with or entitled to support by the employee
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 and 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