

# City of Philadelphia



*September 15, 2011*

CERTIFICATION: This is to certify that Bill No. 110443, entitled "An Ordinance amending Title 22 of The Philadelphia Code, entitled 'Public Employees Retirement Code,' by amending the options for retirement benefits; in particular, amending Section 22-310, entitled 'Deferred Retirement Option Plan (DROP),' by making various changes to DROP to reduce its costs, including, but not limited to, changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions," was returned by the Mayor to City Council on the twenty third day of June, 2011 "DISAPPROVED."

The said bill having been considered again, was repassed on the fifteenth day of September, 2011. Two thirds of all of the members of City Council having voted in the affirmative, the said bill became law without the mayor's approval, pursuant to the provisions of Section 2-202 of the Philadelphia Home Rule Charter.

A handwritten signature in cursive script that reads "Michael A. Decker".

Michael A. Decker  
Chief Clerk of the City Council

(Bill No. 110443)

## AN ORDINANCE

Amending Title 22 of The Philadelphia Code, entitled "Public Employees Retirement Code," by amending the options for retirement benefits; in particular, amending Section 22-310, entitled "Deferred Retirement Option Plan (DROP)," by making various changes to DROP to reduce its costs, including, but not limited to, changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of

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their regular monthly pension; and making conforming amendments to other provisions; all under certain terms and conditions.

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. Section 22-310 of The Philadelphia Code is hereby amended to read as follows:

§22-310. Deferred Retirement Option Plan (DROP).

\* \* \*

(4) Eligibility. In order to be eligible to participate in this program, a member must be an active employee of the City and be otherwise eligible to retire under Section 22-301 and must have a minimum of ten (10) years of credited service, all as of the DROP entry date. In lieu of separating from employment and commencing receipt of service retirement benefits, any such member may enter into this program (“the DROP”) *(i) in the case of Police Employees and Fire Employees, on or after the date the member attains his or her “minimum retirement age,” as that term is defined in Section 22-105(25); or (ii) in the case of all other members, on or after the second anniversary of the date the member attains his or her “minimum retirement age” as that term is defined in Section 22-105(25), provided in either case that the member’s DROP entry date shall meet the requirements in Section 22-310(5)(a) below. For participation in the DROP to be effective, the application must be approved by the Board pursuant to Section 22-309.*

(a) Eligibility of Elected Officials. No elected official shall be eligible to participate in the DROP, except: (i) this provision shall not affect the DROP eligibility of an elected official who entered the DROP before this subsection became law; and (ii) an official elected to office before September 18, 2009 shall remain eligible to participate in

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the DROP during such term in office and during any successive term or terms of office to which such official is reelected.

(5) Benefit Requirements and Calculation.

(a) Except as otherwise provided by this Section, an election to participate in the DROP is irrevocable. The effective date of a member's participation in the DROP shall be the date provided on the member's application, provided that such date shall only be the beginning of a full pay period and shall not be earlier than ninety (90) days *nor more than one hundred eighty (180) days* after the date the application is filed with the Board nor earlier than (i) *in the case of Police Employees and Fire Employees, the date the member attains his or her "minimum retirement age," as that term is defined in Section 22-105(25); or (ii) in the case of all other members, the second anniversary of the date the member attains his or her [member's] "minimum retirement age" as that term is defined in Section 22-105(25).*

(b) Credits to a DROP participant's DROP account consist of:

\* \* \*

(.2) interest on the member's DROP account balance [computed at a rate determined by the Board and] compounded monthly. [The rate shall be 4.5% upon the effective date of the ordinance amending this Title to provide for this test DROP and shall be reviewed not less than annually by the Board at the beginning of each plan year. The Board may adjust the interest rate prospectively or retrospectively following such review, provided that the rate shall not exceed 10% and shall not fall below 4.5%.] *Until January 1, 2012, interest shall be credited at the yield on one year United States Treasury bonds in effect on the date the ordinance adding this sentence to the Code took effect. On January 1, 2012 and each January 1 thereafter, the interest rate shall be*

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*recalculated to equal the lesser of: (i) the yield then in effect on one year United States Treasury bonds; or (ii) one-half of the then-effective interest rate used to calculate the earnings of the reserves of the Retirement System, as adopted by the Board under §22-1002(2).*

\* \* \*

SECTION 2. Chapter 22-300 of The Philadelphia Code is hereby amended to read as follows:

## CHAPTER 22-300. RETIREMENT BENEFITS.

\* \* \*

§22-306. Retirement and Survivorship Benefit Options.

(1) Election of options. Any member may at any time prior to retirement elect in writing one of the following options pursuant to which retirement benefits and survivorship benefits will be paid.

\* \* \*

*Option 5 – Under this option, the member shall choose one of Options 1 through 3 (or, if eligible, Option 4), and in addition, the member shall receive a partial lump sum benefit under the provisions of §22-312. The member’s retirement benefits shall be governed by §22-312. This Option shall not be available to a member who at any time has elected to participate in the Deferred Retirement Option Plan under §22-310. A member who elected Option 5 and is subsequently rehired shall not, after such rehire, be eligible to elect Option 5 again, nor be eligible to participate in the Deferred Retirement Option Plan.*

\* \* \*

§22-312. Partial Lump Sum Option.

(1) Definitions.

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(a) *Partial Lump Sum Beneficiary.* An employee who has chosen Option 5 under §22-306(1).

(b) *Regular Benefit Option.* Either Option 1, Option 2, Option 3 or Option 4, as elected by a Partial Lump Sum Beneficiary when he or she elects Option 5.

(c) *Unadjusted Benefit.* The monthly benefit a Partial Lump Sum Beneficiary would have received had he or she chosen the Regular Benefit Option rather than Option 5.

(d) *Lump Sum Months.* A whole number between six and thirty-six, representing the number of months of Unadjusted Benefits a Partial Lump Sum Beneficiary elects to receive as a lump sum benefit upon retirement. A Partial Lump Sum Beneficiary must specify the Lump Sum Months as part of his or her Option 5 election.

(e) *Partial Lump Sum.* The Unadjusted Benefit multiplied by the Lump Sum Months.

(2) A Partial Lump Sum Beneficiary shall, upon retirement, receive the Partial Lump Sum and a monthly pension payment which shall be actuarially reduced so that the Partial Lump Sum plus the monthly pension payments are the actuarial equivalent of the Unadjusted Benefit.

\* \* \*

SECTION 3. Section 22-204 of The Philadelphia Code is hereby amended to read as follows:

§22-204. Reemployment of Retired Members.

\* \* \*

(3) Reemployment for three (3) or more years. If the period of reemployment under Plan A, Plan B, Plan L, or Plan Y is three (3) years or more, then when the reemployed

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member retires from City employment, the member's retirement benefits are redetermined to include credited service earned both before and after reemployment.

(i) *If a reemployed member previously received an Option 5 partial lump sum benefit, then the redetermination under this subsection (3) shall include an actuarial reduction so that the following two amounts are actuarial equivalents:*

(I) *the Partial Lump Sum (as defined in §22-312(1)) and all monthly pension benefits received by the member prior to reemployment, plus the value of all redetermined pension benefits as actuarially reduced; and*

(II) *the monthly pension benefits the member would have received prior to reemployment had the member elected the Regular Benefit Option (as defined in §22-312(1)) rather than Option 5, plus the value of all monthly pension benefits as they would have been redetermined under this subsection without actuarial reduction.*

(4) Reemployment of retired members of Plan D, Plan J or Plan X. Any member who becomes reemployed by the City following retirement and who is receiving benefits under Municipal Revised Coverage Plan 60 or Police- Fire Coverage Plan 50, shall become a member of the appropriate plan as if the member were first employed on the date of reemployment. Notwithstanding the foregoing, such member shall be entitled to retire thereafter under the age and service provisions of the plan covering such member's employment at the time of the prior retirement. Such member shall continue to accrue service credit during the period of subsequent employment. Upon subsequent retirement, the member shall be entitled to receive the accrued benefit earned under the member's original plan together with any additional accrued benefit earned for the period of subsequent employment under the plan which covers the member upon reemployment. If a retired member reenters the service of the City and remains an employee of the City continuously for three (3) or more years after reemployment, the member may elect to

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retire thereafter under the age and service provisions applicable at the time of subsequent retirement with full credit for the entire service with the City both before and after the first retirement, *provided that if such retired member previously received an Option 5 lump sum benefit, then the member's recalculated pension benefits under this sentence shall be actuarially reduced in the same manner as provided in subsection (3)(i).*

\* \* \*

## SECTION 4. Effective Date; Applicability.

(a) This Ordinance shall take effect ninety (90) days after it becomes law, provided that the amendments to §22-310 of The Philadelphia Code, as set forth in Section 1, shall not apply to any employee who attained eligibility to participate in the Deferred Retirement Option Program under the provisions of §22-310 as it existed before such amendments took effect, and such employees shall continue to be governed by the provisions of §22-310 as it existed prior to such amendments.

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### **Explanation:**

[Brackets] indicate matter deleted.  
*Italics* indicate new matter added.

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