

BOARD OF PENSIONS AND RETIREMENT

PHILADELPHIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Police Retirement Seminar

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Police Plan D

- **Plan D**

Uniform Police Employees hired prior to 7/1/88.

- ✓ ***Minimum Service Retirement Age 45***
- ✓ ***10 years or more to vest***

Plan B

- **Plan B/B6**

Uniform Police Employees hired on or after 7/1/88 and prior to 1/1/10 or;

- **Hired on/after 1/1/10 pays additional 1%**

- ✓ ***Minimum Service Retirement Age 50***
- ✓ ***10 years or more to vest***

Total Service Credit

- **Period of service during which employee made regular contributions plus;**
- **Service purchased under 22-800.**

Average Final Compensation (AFC)

- **Plan D**

Highest of:

- **Compensation of any 12-month period** (stress & longevity included)

vs.

- **Final rate of pay w/ stress** (excludes longevity).

Average Final Compensation (AFC)

■ Plan B

Highest of:

- Average compensation during (2) two **Calendar** Years
 - i.e.; January- December

or

- Average compensation during (2) two **Anniversary** Years.
 - i.e.; June-June

Service Credit %

■ Plan D

- 2.5% per year of credited service

■ Plan B

- 2.2% per year for first 20 years of credited service.
- 2.0% per year over 20

Cannot exceed 100% of AFC

Maximum Credited Svc.

- **Plan D**

- 40 years

- **Plan B**

- 48 years

22-902(4) *Elect to Cease contributions* – Employee may elect to suspend further contributions when maximum allowable credited service has been attained through:

- ✓ Continuous membership by employment
- ✓ Purchase(s) of credits

Deferred Retirement Option Plan

- **Must be eligible for SERVICE Retirement benefits!**

- **Plan D**

- Minimum Retirement Age 45
- 10 Years of Credited Service.

- **Plan B**

- Minimum Retirement Age 50
- 10 Years of Credited Service.

Deferred Retirement Option Plan

DROP (*old*)

Eligible to enter on or before 12/13/11:

- Start date no earlier than 90 days after receipt of DROP application.
- **4.5% fixed** annual interest rate.

Deferred Retirement Option Plan

DROP (*new*)

Eligible to enter on or after 12/14/11:

- Start date between 90-180 days after receipt application
 - **Variable** Interest Rate adjusted each year on January 1st and is the lower of:
 - **50% of the Board of Pensions assumption rate (3.65%** based on current assumption rate of 7.30%).
- Or**
- **The 1 year US Treasury Bond rate as of January 1st (3.675%** as of 1/1/24).

Separation Service Retirement

■ Plan D

- Separate before reaching Age 45.
- 10 Years of Credited Service.
- Benefit payable at Age 45.

■ Plan B

- Separate before reaching Age 50.
- 10 Years of Credited Service.
- Benefit payable at Age 50.

Optional Early Retirement

■ Plan D

- Separate between age 40 and 45
- 10 Years of Credited Service
- Reduction = 1/2% per month younger than age 45 at separation

■ Plan B

- Separate between age 40 and 50
- 10 Years of Credited Service
- Reduction = 1/2% per month younger than age 50 at separation*
 - No reduction at all if 25 years of service attained

Ordinary Disability

- 10 Years of Service Credit.
- Incapacitated from further performance of duties
 - Determination by City's Medical Doctor
- Benefit is calculated in same manner as Service Retirement

Service Connected Disability

- Permanently disabled **due solely** to the performance of duties of the member's position;
- Was not caused by member's wrongful conduct;
- Benefit is 70% of the higher of:
 - *rate of pay at separation OR;*
 - *total compensation for the last full year of service*
 - *Reduced \$1 for \$1 by Workers' Comp.*
- **Requires Board approval**

Retirement Options

- Decided at Retirement (or at DROP entry):
 - **Survivorship Options**
 - Retiree selects 1 of 4 survivorship options and designates survivor(s).
 - **Partial Lump Sum Option - Option 5**
 - Retiree may choose to select initial lump sum payment.

Survivorship Options

■ Option 1

- No actuarial reduction to retiree's monthly amount.
 - Survivor receives one time lump sum payment of unused employee contributions.

■ Option 2

- Retiree receives actuarially reduced monthly benefit based on the age of Retiree and Survivor.
 - Survivor receives **100%** of retiree's actuarially reduced benefit for life.

■ Option 3

- Retiree receives actuarially reduced monthly benefit based on the age of Retiree and Survivor.
 - Survivor receives **50%** of retiree's actuarially reduced benefit for life.

******* May name anyone under these options*******

Survivorship Options

■ Option 4

- Retiree receives unreduced benefit.
- Survivor automatically receives 50% of the retiree's benefit*
- Guaranteed return of any unused contributions.

■ *Eligible Survivors*

- ***Spouse*** - if married at least 2 years prior to Retirement date **and** at time of death;
- ***Natural or Adopted child/grandchild – until age 18;***
- ***Dependent parent;***
- ***Special needs trust on behalf of disabled child***

Redesignation

- **If member is pre-deceased by all designated survivors, retiree may re-designate a new survivor within one (1) year of the last survivor death**
 - **Applies to Options 2 & 3 only!**

Option 5

Partial Lump Sum Option – PLOP

- **Not available to DROP Participants!**
- Selects from options 1 – 4, which determine retiree's Unadjusted Amount.
- Elect to receive between **6 and 36 months** of Unadjusted Amount as a lump sum payment.
- Benefit is actuarially adjusted and paid for remainder of lifetime
 - Survivorship benefit based on this final, reduced amount

Benefit Calculation

- $\text{AFC} \times \text{Service credit \%} = \underline{\text{Annual Pension}}$
- $\text{Annual Pension} / 12 = \underline{\text{Monthly Rate}}$
- $\text{Monthly Rate} \times \text{Retirement Option} = \underline{\text{Lifetime Monthly Benefit}}$

Death Benefits

- ***Benefits payable as a result of Active EE death***

- **Ordinary (Non-Service Connected)**

- *Not related to member's duties*

- Payable to named beneficiary on file
- Beneficiary chooses lifetime or one-time lumpsum

- **Service Connected**

- *Death as a result of performance of duty*

- Board approval required
- Hierarchy of payees; varied percentages

****DROP is added to any benefit payable****

General Information

■ Domestic Relations Order

- ***The division of your pension benefit may become an important issue in a divorce agreement being classified as marital property that can be divided in a divorce.***
- The division of marital property is known as Equitable Distribution.
- Any attachment of a member's retirement benefit for the purpose of Equitable Distribution must be accomplished through the terms set forth in the Public Employees' Retirement Code. (22-1303)(5)
- Submission of a drafted Domestic Relations Order for review and (pre) approval is required.

General Information (cont'd)

■ Taxes

- ***Your monthly pension is subject to federal income tax, but is not subject to PA state or local income tax.***

You may elect to have federal taxes withheld.

- If you are planning to live outside Pennsylvania you should contact state and local tax agencies in that location to determine whether your benefit is taxable.

■ Beneficiaries

- Keep them updated throughout your employment

➤ Payment Processing Time

- 4-6 weeks from appointment date and contingent on file completion

Municipal Retirement Code

For detailed information not limited to what was discussed today can be found in the

Public Employees Retirement Code

- **<https://www.phila.gov/pensions/pages/default.aspx>**

Retirement Information



685-3441