



For Immediate Release
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Contact: Harvey Rice
215-561-9160

DROP Costs Pension Fund \$62 Million Since 2010

Total Costs Range from \$237—\$277 Million Since DROP's Inception

December 12, 2017—The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) released a study on the cost of the City of Philadelphia’s Deferred Retirement Option Plan (“DROP”) since 2010. The study found:

- Total estimated costs for the DROP program since the last study was conducted in 2010, based on three different pension fund investment return assumptions, are \$41.0 million at a rate of 7.7 percent, \$42.1 million at a rate of 6 percent, and \$62.2 million at a rate of 3 percent.
- Total estimated costs for the DROP program since 1999, when the program was established, based on three different pension fund investment return assumptions, are \$277.2 million at a rate of 7.7 percent, \$252.6 million at a rate of 6 percent, and \$236.9 million at a rate of 3 percent.
- The DROP program has increased the retirement age by 1.7 years, on average, across all City of Philadelphia Municipal Retirement System employees. Police and Fire union members experienced an increase in retirement age of 4.8 years and 5.9 years, respectively, while other municipal employees experienced a very small increase in retirement age of approximately 0.2 years.

The study was conducted by the Center for Retirement Research at Boston College, the same institute that conducted the 2010 study. As is evident from this study, DROP continues to add costs to a pension system that is only 44.8 percent funded with an unfunded liability of \$6.1 billion. Reform measures must be considered to lessen future additional costs to ensure the health of the pension system. PICA will continue to conduct research, consult with experts, and publish reports with recommendations to improve the fiscal sustainability of the pension system.

For the full report click [here](#) or visit www.picapa.org.



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Financial Oversight for the City of Philadelphia

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102 — 215-561-9160 — www.picapa.org