



MUNICIPAL MONEY MATTERS

Philadelphia City Controller Christy Brady

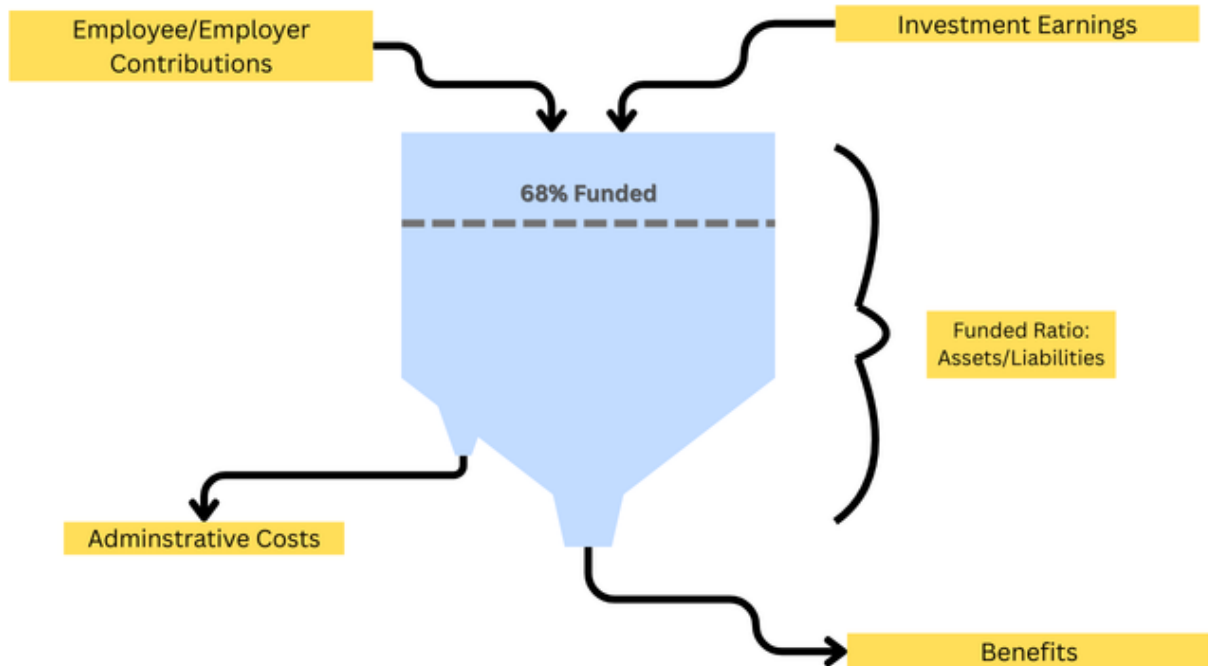
March 2026

Philadelphia Pension Fund: Progress, Reform, and the Path to Full Funding

Funding Overview

The Pension Fund pays an average of **\$72 million per month** and approximately **\$877 million annually** to its current retirees. These benefits are paid by the Pension Fund using four main revenue sources:

- Contributions from the city in accordance with the Revenue Recognition Policy (RRP).
- Tiered contributions from employees based on salary level.
- Earnings from investments on fund assets.
- A portion of the sales tax revenue according to state legislature.



100% Funding Timeline

Actuarial projections show continued improvement in the Pension Fund's financial position. Under the RRP, the Pension Fund is expected to reach 80% funding by FY28, and full (100%) funding by FY33. Before the implementation of the RRP, and assuming the city had only contributed the Minimum Municipal Obligation (MMO), the Pension Fund would not have reached 80% funding until 2032 and would not have achieved full funding until 2040.

Through collaboration, discipline, and a shared commitment across stakeholders, the Philadelphia pension fund has made meaningful progress. The Pension Board, comprised of city officials, elected trustees, and the City Controller, continues to strengthen the Fund's financial position while evaluating opportunities to responsibly enhance benefits for retirees. As funding levels improve, maintaining long-term stability will remain the foundation for any decisions that support those who dedicated their careers to public service.

Pension Reforms Over Time

1984 - Act 205

The Commonwealth of Pennsylvania's Municipal Pension Plan Funding Standard and Recovery Act (Act 205) established actuarial reporting requirements and set the Minimum Municipal Obligation (MMO) for required annual pension contributions.



1999 & 2007 - Pension Adjustment Fund (PAF)

In 1999, City Council amended the retirement code to establish the PAF. The purpose of the PAF is to distribute excess investment earnings to retirees and beneficiaries when the Pension Fund's investments exceed expected returns. In 2007, City Council again amended the retirement code overriding a mayoral veto to strengthen the PAF and ensure funds could be set aside for retirees.



2009 - Sales Tax Increase

During the Great Recession, the state authorized the city to increase its sales tax by 1% and permitted a temporary deferral of pension payments to stabilize the city's finances. This action helped avoid the layoff of nearly 3,000 city employees, and prevented the closing of libraries, health clinics and rec centers. As part of the agreement, the Deferred Retirement Option Plan (DROP) was eliminated for all elected officials.



2010 - Plan 10

Plan 10 was created which limited pension benefits to employees to just 25% of their salary in retirement. New hires were allowed to opt out and contribute more to remain in the defined benefit plan.



2016 - Plan 16 Implementation

The city implemented Plan 16 – a stacked hybrid retirement plan combining defined benefit and defined contribution components.



2018 - Revenue Recognition Policy (RRP)

Since FY18, the city started making contributions based on the alternate funding policy known as RRP which calls for contributions in excess of the MMO.



2019 - Tiered Reform and Plan 16 Enrollment

As of January 1, 2019, all new municipal non-uniform employees were enrolled in the hybrid Plan 16. At the same time, employee pension contributions increased through a tiered structure based on salary level for DC33, DC47, Deputy Sheriffs, and non-represented and exempt employees. Uniform employees are not part of Plan 16.



2026 - Funding Level

Since 2016, pension assets have more than doubled from \$5 billion to over \$10 billion, and the funded ratio has improved from 45% to 68%, reflecting substantial progress toward long-term stability.