

ANNUAL REPORT OF THE POLICEMEN AND FIREMEN'S PENSION FUND FISCAL YEAR 2018-2019

The City of New Haven established a Pension Fund for New Haven Policemen and Firemen Employed After December 31, 1957 (later designated as "Police and Fire Plan No. 2") effective January 1, 1958 under provisions of Special Laws 1957 to provide service and disability pensions, as well as death benefits, to individuals appointed after December 31, 1957 as uniformed police officers and fire firefighters in the City of New Haven. By ordinance adopted May 29, 1990, the Policemen's Relief Fund of the City of New Haven and the Firemen's Relief Fund of the City of New Haven (later designated as "Police and Fire Plan No. 1"), which fund was established in 1899 under provisions of the City Charter and Special Laws to provide service and disability pensions and death benefits to policemen and firemen appointed prior to January 1, 1958, was merged with and into Police and Fire Plan No. 2. This new pension plan and fund is the Policemen and Firemen's Pension Fund (the "Fund"). The Fund is administered by a retirement board consisting of seven members.

This Annual Report has been prepared to provide members and other interested parties with statistical and financial information concerning the Fund. Also included is general information concerning membership and benefits available through the Fund. Eligible members should refer to their union contracts to determine the specific pension and benefit provisions which apply.

Active participants in the Fund numbered **678** as of June 30, 2019. Also as of this date, there were **1,051** retired members and **316** survivors of deceased members receiving monthly payments.

The net assets of the Fund available for pension plan benefits totaled **\$322,421,119** on June 30, 2019. The Policemen and Firemen's Pension Board (the "Retirement Board") serves in an administrative and fiduciary capacity to provide retirement benefits to members of the Fund. The investment goal of the Retirement Board is to ensure that current and future benefits are adequately funded while preserving capital and realizing sufficient return through diversification of fund investments.

This Annual Report has been completed for the fiscal year ended June 30, 2019. Questions concerning this report or pension benefits should be directed to Leanna Ambersley at LAmbersley@newhavenct.gov.

SUMMARY OF PRINCIPAL PLAN PROVISIONS

This summary describes the principal plan provisions of the Fund that apply to employees appointed after December 31, 1957. The principal plan provisions applicable to employees appointed prior to January 1, 1958 have not been summarized below. Plan members should refer to their union contracts for more specific information. **IMPORTANT: THIS SUMMARY DOES NOT REFLECT THE COLLECTIVE BARGAINING AGREEMENTS THAT WERE RATIFIED AFTER JUNE 30, 2019**

Effective Date

January 1, 1958 and dates of subsequent amendments.

Plan Year

July 1 through June 30.

Eligibility

Any employee who is covered by the Agreements between the City of New Haven and (1) the New Haven Police Elm City Local Inc. or (2) the New Haven Fire Union Local 825 International Association of Fire Fighters AFL-CIO.

Employee Contributions

Prior to January 1, 1995 for police members and May 5, 1995 for firefighter members, employee contributions were taxable. On and after January 1, 1995 for police members and on and after May 5, 1995 for firefighter members, employee contributions are contributed on a tax deferred basis.

Effective July 1, 2010, the contribution for Police Members was 10% of pay. Effective March 5, 2013, the contribution for Police Members was increased to 12% of pay other than extra duty earnings. For Police Members hired prior to November 1, 2009, "pay" means wages or salary, including overtime and 50% of extra duty pay. For Police Members hired on or after November 1, 2009, "pay" means wages or base salary, excluding overtime and extra duty earnings. Effective July 1, 2006, Police Members also separately contribute 4.8% of their total extra duty earnings to the Plan; provided, however, that Police Members hired on or after November 1, 2009 do not contribute any portion of their extra duty earnings to this Plan, but instead contribute 4.8% of overtime and extra duty earnings to the City's defined contribution plan.

Effective April 23, 2014, the contribution for Firefighter Members was 10% of compensation (used to calculate pension benefits), excluding extra duty earnings. Effective July 1, 2014, Firefighter Members contribute 11% of compensation, excluding extra duty earnings. For Firefighter Members hired on or after August 28, 2013, overtime is not considered as compensation for purposes of calculating pension contributions. Firefighter Members hired after August 28, 2013 also separately contribute 4.37% of their total extra duty earnings to the Plan.

Continuous Service

Uninterrupted employment with the Police and Fire Departments.

Service Retirement Date

For Police Members who graduated from the Police Academy before December 28, 2012, 20 years of service. For Police Members who graduated from the Police Academy on or after December 28, 2012, 25 years of service. For Firefighter Members, 20 years of continuous service.

Mandatory Retirement Date

For Police Members, age 67. For Fire Members, age 65.

Final Average Pay

For Police Members , the average annual earnings for the four highest fiscal years of earnings or budgeted annual salary at time of retirement, whichever is greater. Further, for Police Members hired prior to November 1, 2009, the average annual earnings include overtime pay and one-half extra duty pay. For Police Members hired on or after November 2, 2009, the average annual earnings does not include overtime or extra duty pay. In consideration for those Police Members hired in or prior to 1990 who at the time of retirement have a four (4) year average that is not more than the employee's base salary, said employee's total annual earnings shall be the equivalent of the annual salary of an employee holding the next higher rank to that held by the retiring employee prior to retirement.

For Firefighter Members hired prior to August 28, 2013, the greater of (i) the average of the Member's (4) highest years of earnings, or (ii) Firefighter Member's budgeted annual salary at the time of retirement. For Firefighter Members hired on or after August 28, 2013, the average of the Member's (4) highest years of earnings exclusive of overtime and extra duty pay.

Service Retirement Benefit

Police Members who graduated from the Police Academy prior to April 11, 2012 and Firefighter Members who were hired prior to August 28, 2013 are entitled to pension benefits that are equal to 2.5% of Final Average Pay for each year of service up to 20 years plus 3.0% of Final Average Pay for each year of service from the 21st through the 30th year, up to a maximum of eighty percent (80%) of his or her Final Average Pay. For Police Members who were hired before July 2, 2001 and who retire with at least 30 years of actual service, 30 sick days from the sick leave payout maximum at retirement may be cashed in to increase the 80% maximum to 83%.

Police Members who were hired on or after April 11, 2012 but before May 30, 2012 are entitled to pension benefits that are equal to 2.0% of Final Average Pay for each year of service up to 20 years plus 2.5% of Final Average Pay for each year of service in excess of 20 years, up to a maximum of eighty percent (80%) or Final Average Pay. Police Members who were hired after May 29, 2012, are entitled to pension benefits that are equal to 2.0% of Final Average Pay for each year of service up to 20 years plus 2.5% of Final Average Pay for each year or service in excess of 20 years, up to a maximum of 70% of Final Average Pay.

Firefighter Members who were hired on or after August 28, 2013 are entitled to pension benefits that are equal to 2.0% of final average pay for each year of service up to 20 years plus 3.0% of Final Average Pay for each year of service in excess of 20 years, up to a maximum of seventy percent (70%) or Final Average Pay.

Sick Leave Buyback

Police employees who were hired prior to April 11, 2012 and who have at least 20 years of actual City of New Haven service, upon retirement may exchange up to 150 days of accumulated sick leave for additional years of credited service after providing written notice of

their intent to do so. For Police employees who have completed at least ten years of service as of July 1, 2011, thirty (30) sick leave days shall equal one year of credited service. For Police employees who were hired on or after July 2, 2001 but before May 29, 2012, fifty (50) sick leave days shall equal one year of credited service. Police employees who were hired after May 29, 2012 are not eligible for sick leave exchange.

For Firefighter employees, no more than 150 sick leave days may be exchanged for up to five years of credited service. Exchanges for fractional years of service are not allowed. Written notice of intent to buy back service must be given between January 1 and March 1 of each year, and only the 20 most senior employees who submit applications during the “notice” period will be eligible for the sick leave buy back each year.

The value of the sick leave days exchanged will be included as taxable income during the year of exchange. The City will pay and report 28% of such value for federal income tax purposes and 4.5% of such value for state income tax purposes, unless federal or state income tax guidelines are adjusted.

Disability

Police Members who have completed five years of continuous service and who are shown to have a disability not related to service are eligible for retirement. Firefighter members who have completed 10 years of service are eligible for a non-service connected disability benefits. The minimum disability benefit payable for a non-service –connected disability retirement is 50% of Final Average Pay.

For service connected disability, there is no service requirement and there is a minimum disability benefit of 50% of the employee's annual rate of pay at the time of disability.

Police employees and firefighters who retire based on service-connected disability with less than 13 years of service may have their disability benefits reduced if their earnings while on disability exceed a certain level. No reductions will apply after the attainment of age 65.

Any application for disability benefits received on or after January 1, 1999 must be submitted when the application is made for age retirement. In the event an employee has submitted an application for an age annuity and subsequently sustains an injury, prior to his or her retirement effective date, the application will be considered for disability.

Any employee who is under the age of 70 ½ and who retires from employment of the City and returns to work for more than 19 hours per week for the City over a six month period will have his or her pension suspended while such reemployment continues.

Death Benefits

If a Member dies while an active Member, the surviving spouse shall receive fifty percent (50%) of the rate of pay of the Member at the time of death until the spouse's death or remarriage. If a Member dies while retired, the surviving spouse shall receive sixty-five percent (65%) of the monthly pension received by such Member at the time of his or her death; provided that for Firefighter Members who retired prior July 1, 1994, the benefit payable to his or her surviving spouse shall instead be fifty percent (50%) of the monthly pension received by such Member at the time of his or her death. If a Member dies leaving one (1) dependent child, the death benefit payable shall be increased an additional 10%. If a Member dies leaving two (2) or more dependent children, the death benefit payable shall be increased an additional 20%.

There shall be paid to a surviving spouse of any Member of the Police or Fire Department who shall be killed while in the actual performance of duty or shall die from the proximate effects of any injuries received while in the actual discharge of such duty, a weekly compensation equal to the difference between the minimum weekly compensation to which a surviving spouse of any deceased Member is entitled and receives under the provisions of the general statutes relating to Workers' Compensation and the weekly earnings of his or her deceased spouse at the time of his or her death

In any event, the total cumulative benefit payments paid out of the Pension Fund will amount to no less than the total contributions made by the employee to the plan.

The term “surviving spouse” shall be limited to (1) surviving spouse of such member who was married to him or her prior to his or her retirement from the Department, if retired, and who was living with him or her at the time of his or her death, or, if not so living with him or her, was absent by reason of his or her fault or (2) solely with respect to a Police Member, the surviving spouse of such member who married him or her subsequent to his or her retirement from the Police Department, if retired, and lived with him or her continuously thereafter until the time of his or her death but not less than five years or, if not so living with him or her at the time of his or her death, was absent by reason of his or her fault.

Survivorship benefits cease upon remarriage. A survivor who collects spousal death benefits and subsequently remarries is no longer entitled to that pension benefit. and consequently must repay any benefits paid after the survivor’s remarriage.

If a Member shall die before retirement from active service without leaving a surviving spouse or a child/children, the total amount of his or her contributions shall be paid to the beneficiary designated by him or her. If a Member shall die after retirement from active service and before he or she shall receive payments on account of his or her retirement allowance at least equal to the total amount of his or her contribution to the date of retirement, the difference between said payments and said contributions shall be paid to the beneficiary designated by him or her.

Vested Benefits

Pension rights shall become vested after ten continuous years of service, conditioned upon the Member’s leaving his or her contributions in the Fund. For Police members, such deferred vested pension shall become payable on the date when such member would have first become eligible for retirement if he or she had remained in service (upon the date he or she would have otherwise completed twenty (20) continuous years of service for members who graduated from the Police Academy prior to December 18, 2012, or the date he or she would have otherwise completed twenty-five (25) years of continuous service for members who graduated from the Police Academy after December 18, 2012). The amount of such vested pension shall be equal to two percent (2%) of his or her average total annual earnings of his or her five (5) highest years of earnings during the ten (10) years immediately preceding his or her date of termination of service. For Firefighter members, such deferred vested pension shall become payable on the date when he or she would otherwise have completed twenty-five (25) years of continuous service, but not prior to the attainment of age forty-six (46).

Members who terminate their service prior to becoming vested shall receive their accumulated employee contributions upon verification of termination. If a prior member is rehired and becomes eligible to be a member of the Fund, the Member may elect to reinstate such prior credited service with the Fund within six months of his or her return to employment with the City, upon payment of his or her contributions with interest at rates established by the Pension Board..

Cost of Living Adjustment

Retirements Between July 1, 1984 and June 30, 1994: Police Officers and Firefighters who retired between July 1, 1984 and June 30, 1994 with a service retirement benefit which requires at least 25 years of service or who retire after June 30, 1984 as a result of a service connected disability with 20 years of service, and their eligible survivors will have their benefits increased or decreased every other January 1st starting on January 1, 1987 according to the U.S. Consumer Price Index subject to the following restrictions:

- 1) the retiree must have received at least 6 monthly pension payments prior to a cost of living adjustment date;
- 2) each increase or decrease will be limited to a cap of 4%;
- 3) the overall increase in benefits will be limited to 20%; and
- 4) the cost of living adjustment will never reduce the benefit below its original level

Retirements After June 30, 1994: Police Officers and Firefighters who retire after June 30, 1994 with a service retirement benefit as a result of a service connected disability and who have completed at least 20 years of service and their eligible survivors will have their benefits increased or decreased every other January 1st starting on January 1, 1995 according to the U.S. Consumer Price Index subject to the following restrictions:

- 1) the retiree must have received at least 6 monthly pension payments prior to a cost of living adjustment date.
- 2) each increase or decrease will be limited to an annual cap of 4% for police officers hired before March 29, 1997 and for firefighters hired before April 23, 2004. Each annual increase or decrease shall be limited to 3% for firefighters hired between April 23, 2004 and August 27, 2013. Each annual increase and decrease shall be limited to 2% for Police Members who were hired between March 29, 1997 and April 10, 2012 and 1.5% for Police Members hired after April 10, 2012. Each annual increase or decrease shall be limited to 1.5% for Fire members hired on or after August 28, 2013.
- 3) the overall increase in benefits will be limited to 25% for Fire Members hired before March 29, 1997 and firefighters hired before April 23, 2004. The overall increase in benefits will be limited to 15% for firefighters hired between April 23, 2004 and August 27, 2013. The overall increase in benefits is limited to 10% for Firefighters hired after August 28, 2013 and for Police Members hired after March 29, 1997.
- 4) the cost of living adjustment will never reduce the benefit below its original level.
- 5) The retiree has the option to receive 40% of the actuarial value of the Cost of Living feature in exchange for forgoing the COLA.

PLEASE TAKE NOTE

IMPORTANT FACTS NEW HAVEN POLICE & FIRE (NHP&F) RETIREES SHOULD KNOW:

1). **SURVIVORSHIP ELIGIBILITY:** If you are the spouse of a deceased NHP&F retiree and you are receiving a survivorship pension benefit, you must notify the City of New Haven Payroll & Pension Division immediately if you plan to remarry. ***Your survivorship eligibility terminates upon remarriage.***

2). **RETURN TO WORK FULL TIME PROHIBITION:** As per City of New Haven Ordinance 2-302, a NHP&F retiree may return to City of New Haven reemployment provided his/her work week is part time (less than twenty (20) hours per week). If the retiree's reemployment is full time, twenty (20) or more work hours per week, for a period of six months or more, any such retiree shall sign a waiver of pension benefits. The waiver may be revoked after the period of reemployment as a full time employee ends, but no payment of the waived pension benefits shall be made covering the period such waiver was in effect. No waiver is applicable for any period during which the retiree is ages 70 ½ or older.

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2019 WITH COMPARABLE FIGURES FOR JUNE 30, 2018

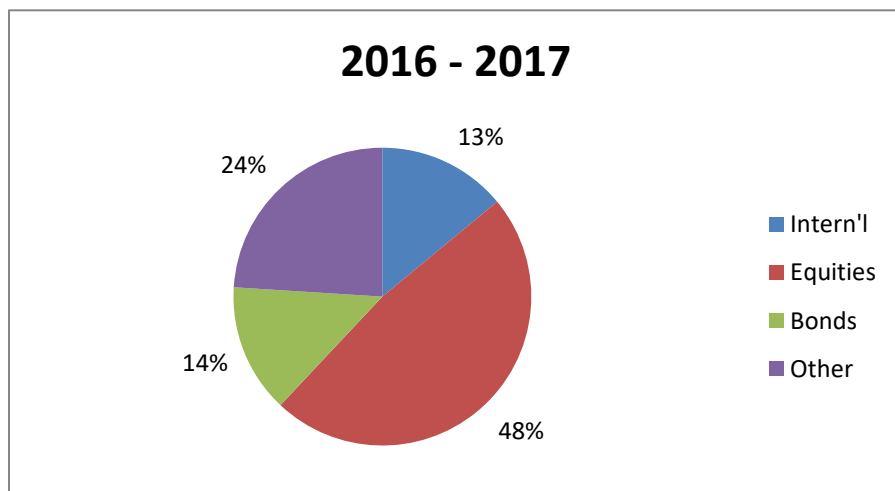
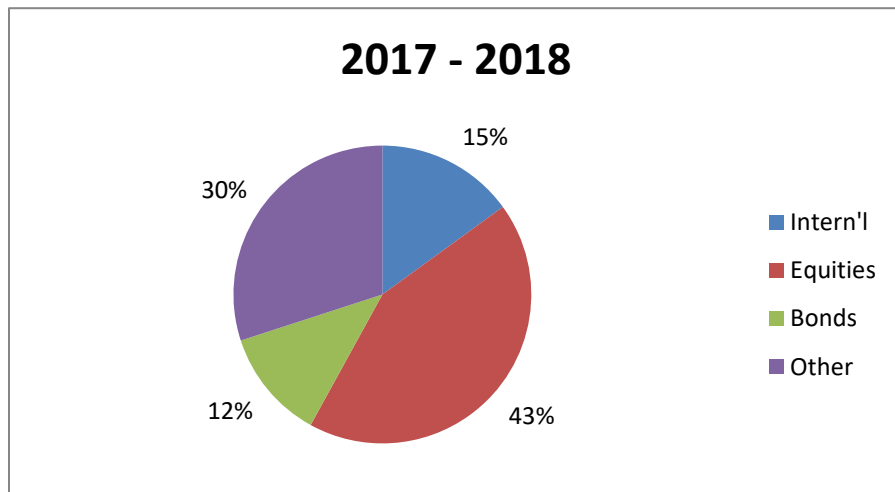
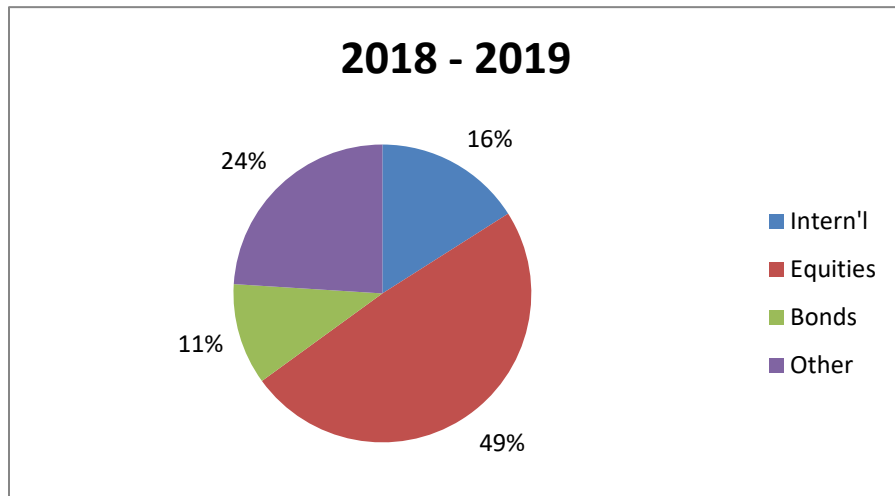
	<u>June 30, 2018</u>		<u>June 30, 2019</u>	
	Amount	Percent	Amount	Percent
NET ASSETS (1)				
Long Term Debt Obligations -				
Government	17,212,600	2.11%	15,029,600	1.81%
Long Term Debt Obligations -				
Corporate	21,668,400	2.66%	21,191,000	2.56%
Common Stock	153,588,300	18.84%	135,232,700	16.32%
Preferred Stock	18,835,000	2.31%	33,739,400	4.07%
Cash and Cash Equivalents	14,890,300	1.83%	22,301,600	2.69%
Others	91,799,900	11.26%	84,853,200	10.24%
Accrued Investment Income	470,000	0.06%	559,700	0.07%
Accrued Member Contributions	133,700	0.02%	122,800	0.01%
Accrued City Contributions	0	0.00%	0	0.00%
Due From Other Funds	0	0.00%	0	0.00%
Due From Sale of Securities	<u>425,700</u>	<u>0.05%</u>	<u>9,889,800</u>	<u>1.19%</u>
Net Assets Available				
For Pension Plan Benefits	319,023,900	39.13%	322,919,800	38.98%
Future City Contributions				
For Prior Service	<u>496,166,900</u>	<u>60.87%</u>	<u>505,580,900</u>	<u>61.02%</u>
Total Assets	815,190,800	100.00%	828,500,700	100.00%
LIABILITIES				
Purchase of Securities Payable	132,300	0.02%	498,700	0.06%
Due to Other Funds	0	0.00%	0	0.00%
Expenses Payable	0	0.00%	0	0.00%
Interest and Dividends Payable	0	0.00%	0	0.00%
Benefits Payable	0	0.00%	0	0.00%
Active Members				
a. Portion Funded by Member				
Contributions	60,444,700	7.41%	60,171,700	7.26%
b. Portion funded or to be				
Funded by City Contributions	<u>135,786,000</u>	<u>16.66%</u>	<u>164,759,300</u>	<u>19.89%</u>
Total	196,363,000	24.09%	225,429,700	27.21%
Conditional Members	2,486,200	0.30%	1,531,200	0.18%
Retired Members	435,660,000	53.44%	426,756,500	51.51%
Disabled Members	137,516,400	16.87%	132,652,400	16.01%
Survivor Members	<u>43,165,200</u>	<u>5.30%</u>	<u>42,130,900</u>	<u>5.09%</u>
Total Liabilities	815,190,800	100.00%	828,500,700	100.00%
Funded Ratio (2)	39.1%		38.9%	

(1) Investments Reported at Market Value.

(2) Net Assets less Liability Payable divided by Total Liabilities less Liability Payables.

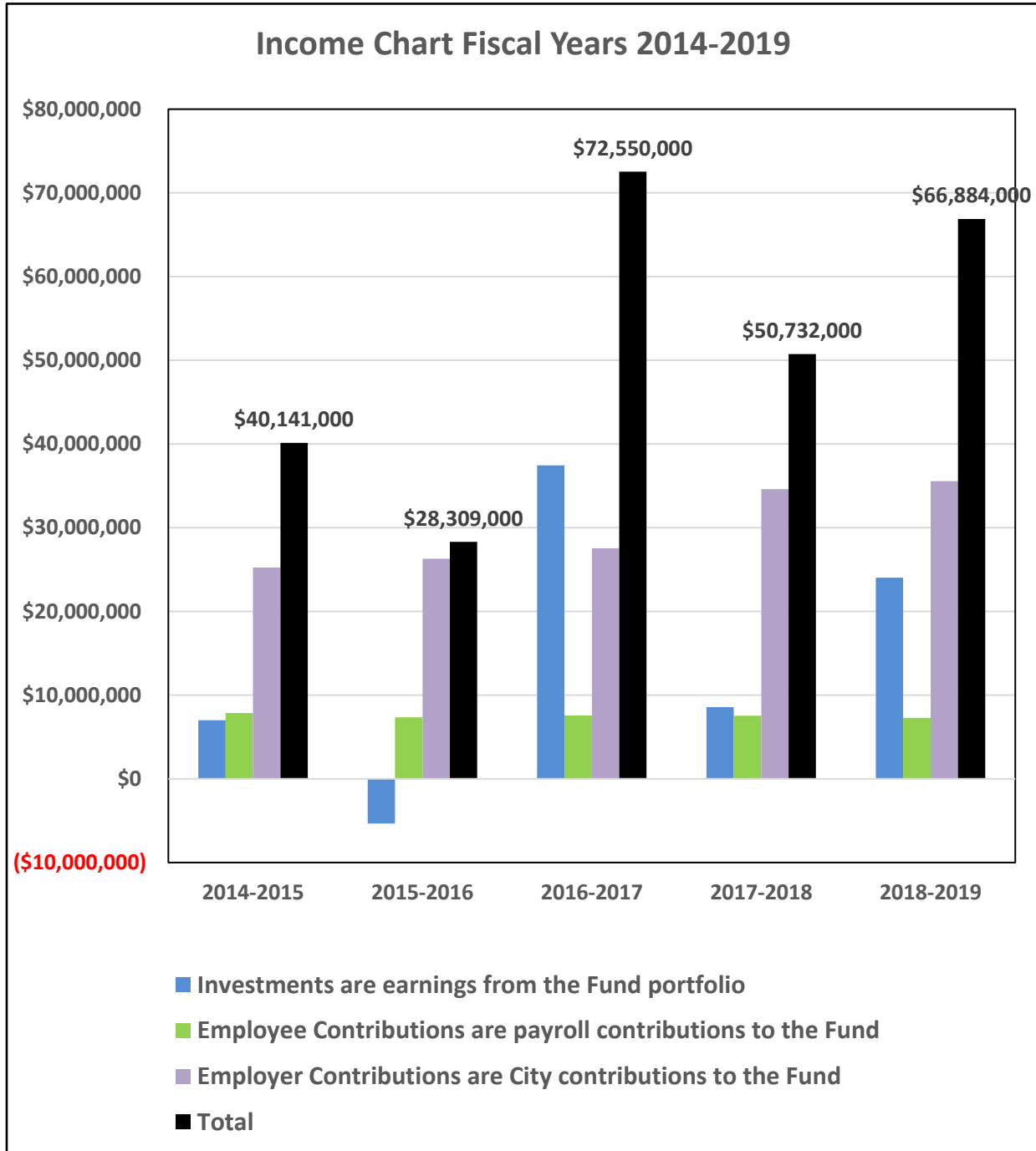
*Market value basis. Funded ratio is 40.1% on an actuarial value basis as of 06/30/2019

DISTRIBUTION OF INVESTMENT ASSETS FISCAL YEARS 2016-2019



**POLICEMEN AND FIREMEN'S PENSION FUND STATEMENT OF
INCOME AND EXPENDITURES
2018-2019 WITH COMPARABLE FIGURES FOR 2017-2018**

	<u>2017-2018</u>	<u>2018-2019</u>
Income		
Members' Contributions	7,557,400	7,284,300
City's Contributions	34,607,900	35,559,600
Interest and Dividends	3,959,100	4,290,500
Realized Gains (Loss) from Investment Activity	5,211,800	-2,356,500
Unrealized Gains (Loss) from Investment Activity	-773,300	21,356,800
Other	<u>169,300</u>	<u>749,500</u>
Total Income	50,732,200	66,884,200
Expenditures		
Payments to Retired Members	36,937,400	41,104,100
Payments to Disabled Members	14,940,300	14,952,900
Payments to Survivors of Deceased Members	4,008,400	4,219,200
Refund Payments for Members Who Withdrew or Died	1,530,300	1,105,700
Tax Deferred Contributions and Refund Payments for Members Who Withdrew	0	0
Administrative Expenses	<u>1,818,300</u>	<u>1,973,100</u>
Total Expenses	59,234,700	63,355,000
Net Income	(8,502,500)	3,529,200



INVESTMENT MANAGERS

Alkeon..... New York, NY
Capital Point Partners..... Houston, TX
Channing Capital Mgmt Chicago, IL
Cincinnati Asset Mgmt..... Cincinnati, OH
Clearbridge Asset Mgmt Wilmington, DE
Congress Asset Mgmt Boston, MA
Constitution Capital Partners, LLC..... Andover, MA
Cooke and Bieler LP Philadelphia, PA
GrayCo Alternative Partners Atlanta, GA
Harbert Management Corporation Birmingham, AL
Intercontinental US REIF..... Boston, MA
Landmark Growth Capital Partners, LP..... Simsbury, CT
Lazard Asset Mgmt New York, NY
Mutual of America New York, NY
North Star Minneapolis, MN
Oak Hill Capital..... Fort Worth, TX
Seizert Capital Partners Birmingham, MI
TerraCap Bonita Springs, FL
UOB Eagle Rock GP LLC..... New York, NY
WCM Asset Mgmt Laguna Beach, CA
Western Asset Mgmt..... Wilmington, DE
WL Ross..... New York, NY

CUSTODIAN

The Northern Trust Co.:Chicago, Illinois

LEGAL COUNSEL

Brenner, Saltzman and Wallman, LLP:New Haven, Connecticut

INVESTMENT CONSULTANT

Morgan Stanley.....New Haven, Connecticut

ACCOUNTANT

McGladrey & Pullen.....New Haven, Connecticut

ACTUARY

Hooker and Holcombe, Inc.:.....West Hartford, Connecticut

RETIREMENT BOARD

President:.....Honorable Toni Harp

Appointed Representatives

Board of Police Commissioners:.....Kevin Diaz,
Evelise Ribeiro

Board of Fire Commissioners:Steven Cousin

Employee Representatives

Police Union, New Haven Police Elm City Local, Inc.:Brian McDermott

.....
Fire Union, Local 825, International Association of Firefighters AFL-CIO:Patrick Cannon

Clerk:Daryl Jones

IT IS HIGHLY RECOMMENDED THAT ALL RETIREES TAKE ADVANTAGE OF ELECTRONIC TRANSFER OF THEIR MONTHLY PENSION BENEFITS DIRECTLY TO THEIR DESIGNATED ACCOUNT. DIRECT DEPOSIT PROVIDES SECURITY, CONVENIENCE, RELIABILITY AND TIMELINESS. IF YOU DO NOT USE DIRECT DEPOSIT, RECEIPT OF YOUR NEGOTIABLE CHECK CANNOT BE GUARANTEED BY THE LAST BUSINESS DAY OF THE MONTH DUE TO FLUCTUATIONS OF POSTAL SERVICE DELIVERY. THE MAJORITY OF RETIREES CURRENTLY HAVE DIRECT DEPOSIT AND THOUROUGHLY ENJOY ITS ADVANTAGES.

PLEASE CONTACT THE PENSION DIVISION AT (203) 946-6340 IF YOU WOULD LIKE TO ENROLL .

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