

PROPOSAL FOR COMPLYING WITH THE REQUIREMENTS OF SECTION 202

BACKGROUND

Section 202

Section 202 of the Special Laws of the City of New Haven was enacted as part of Special Act 531, § 4 in 1957. This Special Act created the Policemen and Firemen's Pension Plan #2 for police officers and firefighters hired after December 31, 1957, and, except as amended by the collective bargaining agreements between the City and the Police and Firefighters' unions, governs the pension plans for the members of each union..

This Section provides as follows:

“The pension board shall submit annually to the mayor, prior to the first of September, a schedule of its estimated expenses necessary to carry out the purpose of the fund and the mayor shall include said estimate in the estimates to be submitted to the board of aldermen in accordance with charter requirements relative to annual estimates and appropriations for the City of New Haven.”

Past Practice

According to the P&F Fund's actuary, Hooker & Holcombe, the practice has been for the actuary to prepare a valuation report of the P&F Fund every other year. The valuation is made as of July 1st of even numbered years. The last time a valuation of the Fund was done was as of July 1, 2018. The actuary is in the process of completing the valuation as of July 1, 2020. The valuations are usually completed by December following the July 1st valuation date, so that the valuation for the July 1, 2020 year should be completed shortly.

As part of the valuation, the actuary computes the City's annual contribution to the P&F Fund (the Actuarially determined employer contribution (the “ADEC”)) for the subsequent two fiscal years following the fiscal year beginning on the valuation date. So, in the valuation report as of July 1, 2018, the ADEC is computed for the fiscal year July 1, 2019-June 30, 2020 and for the fiscal year July 1, 2020-June 30, 2021 (the current fiscal year). The valuation report as of July 1, 2020 will compute the ADEC for the fiscal years July 1, 2021-June 30, 2022 and July 1, 2022-June 30, 2023.

The P&F Board has not been submitting an estimate of its expense to the Mayor for inclusion in the City's budget. For at least the last ten years, the ADEC has included the estimated expenses for the P&F Fund. These estimated expenses are computed by rounding up the actual expenses for the fiscal year ending before the valuation date and increasing those expenses by an inflation factor for the two years for which the ADEC is being computed. For example, in the valuation report as of July 1, 2018, the actual administrative expenses (rounded up) of the Fund for the fiscal year July 1, 2017-June 30, 2018 are included with an inflation factor of 2.5% for the ADEC for the fiscal years July 1, 2019-June 30, 2020 and July 1, 2020-June 30, 2021. The actual expenses of the P&F Fund for the fiscal year July 1, 2017-June 30, 2018 were \$255,000 (rounded up). These expenses included fees charged for certain investments, legal fees, custodial bank fees, actuarial

fees, certain financial advisor fees, Northern Trust's fees and Yale Occupational Health's fees. As stated above, when computing the ADEC for the fiscal years July 1, 2019-June 30, 2020 and July 1, 2020-June 30, 2021, these fees were included and were increased by 2.5% each year.

The ADECs proposed in the Valuation Report are sent to the Mayor's Office and are included in the Mayor's budget that is sent to the Board of Alders for approval for the two subsequent fiscal years.

PROPOSAL

The Board would request that the Actuary provide for the Board's review the component of the ADEC in the July 1, 2020 Valuation Report which represents the projected administrative expenses for the Board's consideration. For the Valuation Report as of July 1, 2020, the Actuary would provide the actual administrative expenses for the fiscal year July 1, 2019-June 30, 2020 (rounded up), plus the inflation factor that the actuary is using in computing the ADEC for the fiscal year July 1, 2021-June 30, 2022. If it were available, the Board could also request that the City's Finance Office provide the Board with the actual administrative expenses for the balance of 2020. At its January 2021 meeting, the Board would review the actuary's projected expenses and approve or modify them as it thought appropriate and then forward its budget for the administrative expenses calculations to the Mayor's office for inclusion in the Mayor's budget as part of the ADEC. When the Mayor's budget is forwarded to the Board of Alders by March 1, 2021, the budget would include a sheet detailing the administrative expenses of the P&F Fund being requested as part of the ADEC. The same procedure would be followed for the 2022-2023 budget and subsequent budget years.