

**ANNUAL REPORT OF THE
POLICEMEN AND FIREMEN'S PENSION FUND
FISCAL YEAR 2004-2005**

The City of New Haven established the Policemen's and Firemen's Pension Fund ("Police and Fire Plan No. 2") on January 1, 1958 under provisions of the City Charter to provide service and disability pensions, as well as death benefits, to individuals appointed after December 31, 1957 as uniformed policemen and firemen in the City of New Haven. On March 31, 1990, the Policemen's Relief Fund of the City of New Haven and the Firemen's Relief Fund of the City of New Haven ("Police and Fire Plan No. 1") which provides 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's 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 by the Department of Finance 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 766 as of June 30, 2005. Also as of this date, there were 1086 retired members and survivors of deceased members receiving monthly retirement checks.

The net assets of the Fund available for pension plan benefits totaled \$258,261,800 on June 30, 2005. The Policemen's 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, 2005. Questions concerning this report or pension benefits should be directed to the Pension Division at:

**The Kennedy Mitchell Hall of Records
200 Orange Street, Room 301
New Haven, CT 06510
(203) 946-8297**

SUMMARY OF PRINCIPAL PLAN PROVISIONS

This summary describes the principal plan provisions which apply to employees covered by Police and Fire Plan No. 2. The principal plan provisions of Police and Fire Plan No. 1 which merged with Police and Fire Plan No. 2 on March 31, 1990 have not been summarized below because they are quite similar to (but not exactly the same as) those of Police and Fire Plan No. 2. Plan members should refer to their union contracts for more specific information.

Effective Date

January 1, 1958 and dates of subsequent amendments.

Plan Year

July 1 through June 30.

Eligibility

Automatic for policemen and firemen hired after December 1, 1957.

Employee Contributions

Prior to January 1, 1995 for policemen and May 5, 1995 for firemen, employee contributions were taxable. On and after January 1, 1995 for policemen and May 5, 1995 for firemen, employee contributions are contributed on a tax deferred basis. On and after January 1, 1995, employee contributions are based on 8.75% (9.25% effective November 8, 2004 and 9.75% effective July 1, 2006) of all earnings excluding extra duty earnings and 3.8% of extra duty earnings (4.8% effective July 1, 2006) for policemen. Also, on and after May 5, 1995, employee contributions are based on 8.75% of all earnings excluding extra duty earnings and 4.37% of extra duty earnings for firemen.

Continuous Service

Uninterrupted employment with the Police and Fire Departments.

Service Retirement Date

Age 46 with 25 years of continuous service prior to July 1, 1990; 20 years of continuous service thereafter.

Mandatory Retirement Date

Age 65 with no service requirement.

Final Average Pay

Average total annual earnings for the five (four for policemen, effective July 1, 2004) highest fiscal years of earnings or budgeted annual salary at time of retirement, whichever is greater. Total annual earnings shall include 50% of extra duty compensation earned on and after July 1, 1994. For policemen (effective July 1, 2004): In consideration for those employees 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's holding the next higher rank to that held by the retiring employee prior to retirement. This provision shall automatically sunset (no longer exist) at 11:59 p.m. on July 15, 2007. For purposes of calculating the four (4) year average, only plainclothes differential pay, overtime and extra duty pay will be added to the regular pay.

Service Retirement Benefit

Members are entitled to pension benefits that are equal to 2% times final average pay times years of service subject to a maximum of 70% of final average pay prior to July 1, 1987; 2% of final average pay for each year of service and fraction thereof up to 20 years plus 3% of final average pay for each year of service and fraction thereof in excess of 20, all subject to a maximum of 70% of final average pay between July 1, 1987 and July 1, 1993 for policemen and June 30, 1993 for firemen; 2.5% times final average pay times years of service subject to a maximum of 75% of final average pay, between January 1, 1993 and June 30, 1994 for policemen and between June 30, 1993 and June 30, 1994 for firemen; 2.5% of final average pay for each year of service and fraction thereof up to 20 years plus 3% of final average pay for each year of service and fraction thereof in excess of 20, all subject to a maximum of 80% (effective July 1, 2004: 83% for policemen retiring with at least 30 years of actual service, if cash in 30 sick days from the sick leave payout maximum at retirement) of final average pay on and after July 1, 1994.

Sick Leave Buyback

This provision will be in effect from January 1, 1995 for policemen and from May 1, 1995 for firemen. Upon retirement, 30 sick leave days may be exchanged for one year of pension service. No more than 150 sick leave days may be exchanged for policemen and firemen. Exchanges for fractional years of service are not allowed. No more than 20 employees may elect a buyback during one calendar year. Written notice of intent to buy back service must be given between January 1 and March 1 of each year. For the Fire Department the 20 most senior employees who submit applications during the "notice" period will be eligible for the sick leave buy back each year. For the Police Department selection of the twenty (20) sick leave buy back opportunities will be determined on a first come first served basis. 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

For a non-service connected disability, five years of continuous service is required in order to receive a minimum disability benefit of 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 rate of pay at time of disability.

After August 31, 1984 policemen and firemen who retire on 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 received on or after January 1, 1999 must be submitted when the petition is made for retirement. In the event an employee has submitted an application for an age annuity and subsequently sustains an injury, prior to their retirement effective date, the application will be considered for disability.

No person who retires from employment of the City shall be eligible to work more than 19 hours per week for the City. If they do so their pension will be subject to offset.

Death Benefits

The monthly benefits payable to the widow and/or children of a deceased member are as follows:

- (1) Widow only - 50% (25% prior to July 1, 1987) of rate of pay being received at date of death or 50% of pension being paid at date of death (65% for retirements occurring on and after July 1, 1994);
- (2) Widow and one dependent child - 60% (35% prior to July 1, 1987) of rate of pay being received at date of death or 70% of pension being paid at date of death (75% for retirements occurring on and after July 1, 1994); or
- (3) Widow and two or more dependent children - 70% (45% prior to July 1, 1987) of rate of pay being received at date of death or 90% of pension being paid at date of death (85% for retirements occurring on and after July 1, 1994).

Special benefits for service connected deaths (equal to 100% of final salary less Workers' Compensation payments) are payable out of the Pension Fund (subject to maximum pension benefit).

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 "widow/widower" 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) the surviving spouse of such member who married him or her subsequent to his or her retirement from such Department, if retired, and lived with him or her continuously thereafter until the time of his 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 subject to repayment.

Vested Benefits

Subject to the following requirements, 100% of the accrued service retirement benefit will be payable starting on the date the member would have completed 20 years for policemen and 25 years (minimum age 46) for firemen.

- (1) Completed 10 years of continuous service.
- (2) Elected to leave his/her accumulated contributions in the plan.

All other members will 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 may elect to reinstate such prior credited service with the Fund within six months of his or her return to the City.

Cost of Living Adjustment

Retirements Between July 1, 1984 and June 30, 1994: Policemen and firemen 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: Policemen and firemen who retire after June 30, 1994 with a service retirement benefit which requires at least 20 years of service or who retire after June 30, 1994 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, 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 a cap of 4%.
- 3) the overall increase in benefits will be limited to 25%; and
- 4) the cost of living adjustment will never reduce the benefit below its original level

Direct Deposit is available for all participants. Direct deposit provides security, convenience, reliability and timeliness. The majority of retirees currently have direct deposit. Please contact the Pension Division at 946-8297 if you would like to enroll or complete the attached form.

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.*** NHP&F will institute legal action against any survivorship recipient who remarries, fails to give immediate notification of this change of marital status, and continues to receive ineligible survivorship benefits. Such failure to comply will constitute the illegal collection of ineligible retirement benefits and the survivor will be subject to the legal civil consequences thereof, including but not limited to repayment with compounded interest of all ineligible retirement benefits received, and the possible pursuit of criminal litigation.

2). **RETURN TO WORK FULL TIME PROHIBITION:** As per City of New Haven Ordinance 2-87 c, 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, his/her NHP&F ***pension benefits will be immediately revoked.***

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2005 WITH COMPARABLE FIGURES FOR 2004

	2003-2004		2004-2005	
	Amount	Percent	Amount	Percent
NET ASSETS (1)				
Long Term Debt Obligations - Government	\$49,251,800	12.1%	\$55,058,100	12.9%
Long Term Debt Obligations - Corporate	40,019,300	9.8%	39,723,900	9.3%
Common Stock	123,156,300	30.2%	133,222,100	31.4%
Cash and Cash Equivalents	21,220,100	5.2%	14,908,200	3.5%
Other-Private Equity	12,243,000	3.0%	15,499,300	3.6%
Accrued Investment Income	1,233,600	0.3%	1,078,400	.3%
Accrued Member Contributions	119,700	0.0%	55,600	0.0%
Accrued City Contributions	0	0.0%	0	0.0%
Due From Other Funds	0	0.0%	0	0.0%
Due From Sale of Securities	564,300	0.1%	313,700	.1%
NET ASSETS AVAILABLE FOR PENSION PLAN PAYMENTS	247,808,100	60.7%	\$259,859,300	61.1%
Future City Contributions for Prior Service	160,465,700	39.3%	165,735,600	38.9%
Total Assets	\$408,273,800	100.0%	425,594,900	100.0%
LIABILITIES				
Purchase of Securities	\$1,821,200	0.4%	1,588,300	0.4%
Due to Other Funds	200	0.0%	0	0.0%
Expenses Payable	15,700	0.0%	300	0.0%
Benefits Payable	4,300	0.0%	8,900	0.0%
Active Members				
a. Portion Funded by Member Contributions	36,507,000	8.9%	41,463,000	9.7%
b. Portion Funded or to be Funded by City Contributions	121,206,600	29.8%	131,642,100	30.9%
Total	159,555,000	39.1%	174,702,600	41.0%
Conditional Members	160,100	0.0%	173,800	0.0%
Retired Members & Disabled Members	233,004,700	57.1%	234,928,400	55.3%
Survivor Members	15,554,000	3.8%	15,790,100	3.7%
Total Liabilities	\$408,273,800	100.0%	\$425,594,900	100.0%
Funded Ratio(2)		60.5%*		60.9%**

(1) Investments reported at market value.

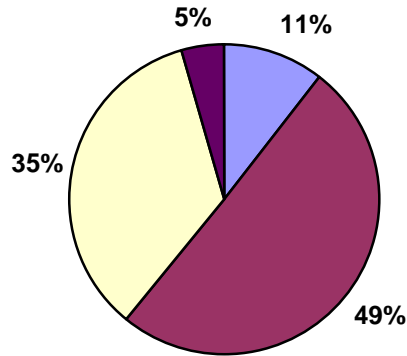
(2) Net Assets less Liability Payables divided by Total Liabilities less Liability Payables.

(*) Market Value Basis. Funded Ratio is 65.5% on an Actuarial Value Basis as of 6/30/2004.

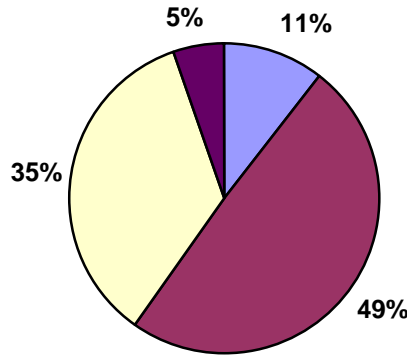
(**)Market Value Basis. Funded Ratio is 61.9% on an Actuarial Value Basis as of 6/30/2005

**DISTRIBUTION OF INVESTMENT ASSETS
FISCAL YEARS 2003-2005**

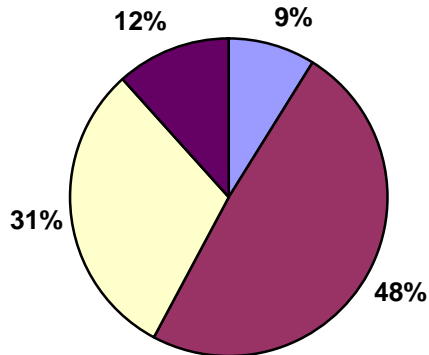
2004-2005



2003-2004



2002-2003



- | | |
|---------------------------------------|--|
| ■ | International Equities |
| ■ | Equities are Common or Preferred Stock , or Private Equity |
| ■ | Fixed are U.S. Government or Corporate Bonds |
| ■ | Other is Cash or Cash Equivalents |

**POLICE AND FIRE STATEMENT OF INCOME AND EXPENDITURES
2004-2005 WITH COMPARABLE FIGURES FOR 2003-2004**

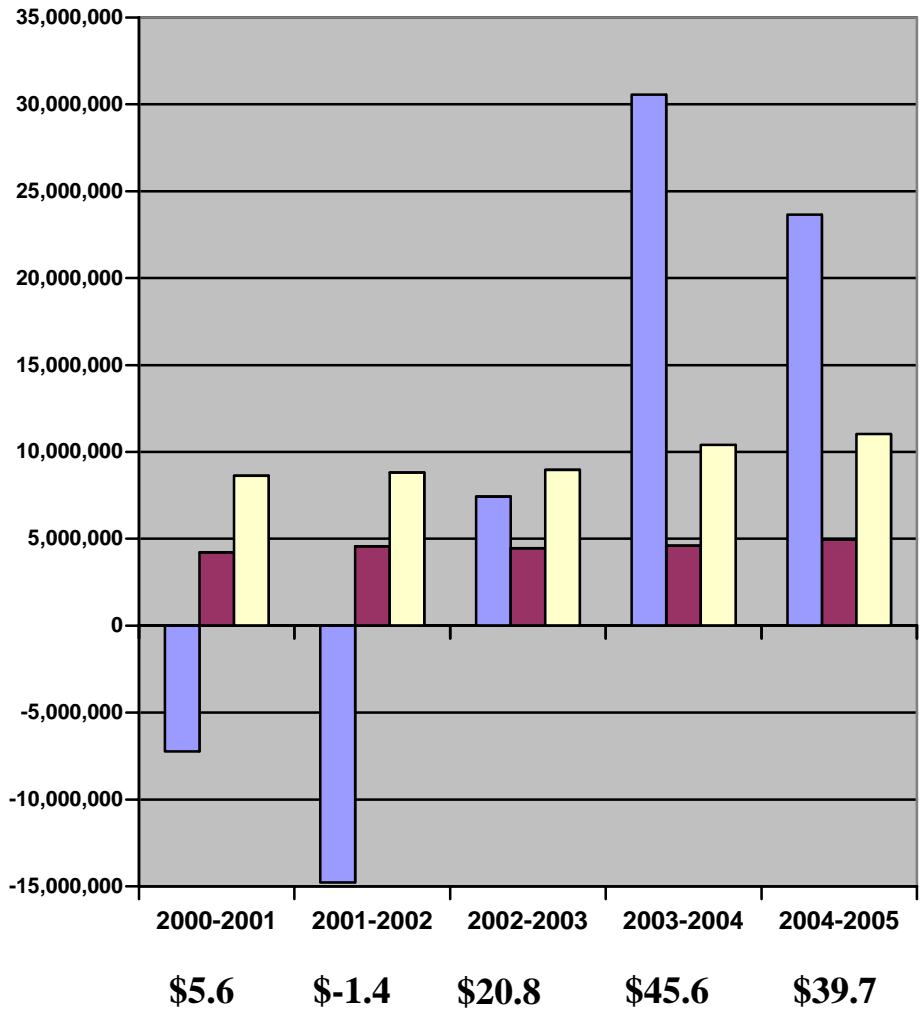
Income	2003-2004	2004-2005
Members' Contributions	\$4,600,100	\$ 4,956,000
City's Contributions	10,404,000	11,028,000
Interest and Dividends	5,979,700	6,345,800
Realized Income (Loss)		
From Investment Activity	9,763,100	9,386,900
Unrealized Gains (Loss)		
From Investment Activity	14,801,200	7,926,300
Other	7,600	
Total Income	\$45,555,700	\$39,643,000

Expenditures

Payments to Retired Members	\$15,876,700	\$16,402,400
Payments to Disabled Members	8,579,200	8,909,000
Payments to Survivors of Deceased Members	978,500	1,042,700
Refund Payments for Members Who Died	0	0
Tax Deferred Contributions and Refund Payments for Members Who Withdrew	112,900	65,200
Administrative Expenses	755,400	928,600
Total Expenses	\$26,302,700	\$27,347,900

Net Income	\$19,253,000	\$12,295,100
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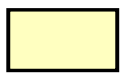
INCOME CHART FISCAL YEARS 2001-2005



Investments are earnings from the Fund portfolio



Employee contributions are payroll contributions to the Fund



Employer contributions are City contributions to the Fund

INVESTMENT MANAGERS

Invesco Capital Management, Inc.: Atlanta, Georgia
ICC Capital: Orlando, Florida
Israel Bonds: New York, New York
Morgan Stanley: New York, New York
Earnest Partners: Atlanta, Georgia
Columbia Partners Washington D.C.
Landmark Partners New York, New York
Suoritus Partners New York, New York
SascoCapital Fairfield, Connecticut
CitiGroup Boston, Massachusetts
Loomis Sayles Boston, Massachusetts
Cooke&Beiler Philadelphia, Pennsylvania
UBS Securities LLC Stamford, Connecticut

CUSTODIAN

The Northern Trust Co.: Chicago, Illinois

LEGAL COUNSEL

Brenner, Saltzman and Wallman: New Haven, Connecticut

INVESTMENT CONSULTANT

Gray & Company Atlanta, Georgia

ACCOUNTANT

Levitsky and Berney: Woodbridge, Connecticut

ACTUARY

Hooker and Holcombe, Inc.: West Hartford, Connecticut

RETIREMENT BOARD

Ex-Officio Representative:Honorable John DeStefano, Jr.

Appointed Representatives:

Board of Police Commissioners:Theodore L. Brooks, Vice Chairman
Richard Epstein

Board of Fire Commissioners:William Celentano
George Longyear

Employee Representatives:

Police Union, Local 530Frank Lombardi

Fire Union, Local 825James Kottage, Chairman

Clerk:..... Mark Pietrosimone

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. WE CAN GUARANTEE YOUR MONTHLY BENEFIT WILL BE ELECTRONICALLY DEPOSITED ON TIME. HOWEVER 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 946-8297 IF YOU WOULD LIKE TO ENROLL OR COMPLETE THE ATTACHED FORM.