

PA-02-NY-1391-PW-01491(0) <u>P</u>	
Applicant Name:	Application Title:
NEW YORK / MANAGMENT AND BUDGET, OFFICE OF / MANAGMENT AND BUDGET, OFFICE OF	PENSION ACTUARIAL LOSS
Period of Performance Start:	Period of Performance End:
09-11-2001	03-11-2002

Bundle Reference # (Amendment #)	Date Awarded
PA-02-NY-1391-State-0077(77)	03-12-2003

Subgrant Application - FEMA Form 90-91

Note: The Effective Cost Share for this application is 100%

FEDERAL EMERGENCY MANAGEMENT AGENCY
PROJECT WORKSHEET

DISASTER		PROJECT NO.	PA ID	DATE	CATEGORY
FEMA	1391 - DR -NY	OMB-PEN	NO.	07-31-2002	B
APPLICANT: NEW YORK / MANAGMENT AND BUDGET, ⁴¹ OFFICE OF / MANAGMENT AND BUDGET, OFFICE OF			WORK COMPLETE AS OF: 07-31-2002 : 100 %		
Site 1 of 1					
DAMAGED FACILITY: NYC FIRE & POLICE PENSION ACTUARIAL LOSS			COUNTY: New York		
LOCATION: Current Version: WORLD TRADE CENTER SITE				LATITUDE: 0	LONGITUDE: 0
DAMAGE DESCRIPTION AND DIMENSIONS:					
<p>Current Version: THE NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND ("POLICE") AND THE NEW YORK CITY FIRE DEPARTMENT, SUBCHAPTER PENSION FUND ("FIRE") INCURRED A NET ACTUARIAL LOSS (LOSSES MINUS GAINS) AS A RESULT OF THE DEATH OF 28 MEMBERS OF POLICE (23 ACTIVE, 5 RETIRED) AND 343 MEMBERS OF FIRE (340 ACTIVE, 3 RETIRED) IN CONJUNCTION WITH THE EVENTS OF SEPTEMBER 11, 2001.</p> <p>SINCE THE RETIRED MEMBERS DIED SOONER THAN ACTUALLY EXPECTED THE CITY EFFECTIVELY "SAVED" MONEY THEREBY EXPERIENCING AN ACTUARIAL GAIN. THE CITY DEDUCTED THIS GAIN FROM ITS TOTAL ACTUARIAL LOSSES ASSOCIATED WITH THE ACTIVE MEMBERS THAT DIED TO ARRIVE AT A NET ACTUARIAL LOSS OF \$64.6 M.</p> <p>THIS PW REIMBURSES THE CITY \$64.6 MILLION TO COVER THE INCREASED CITY CONTRIBUTIONS TO THE RETIREMENT SYSTEM DUE TO THE DEATHS OF ACTIVE AND RETIRED MEMBERS OF POLICE AND FIRE ON SEPTEMBER 11, 2001 WHILE PERFORMING ELIGIBLE EMERGENCY WORK.</p> <p>THE DEATHS OF SO MANY UNIFORMED MEMBERS HAVE CAUSED POLICE AND FIRE TO SUSTAIN ACTUARIAL LOSSES DUE TO THE FACT THAT BUDGETING FOR THIS FUND WORKS ON THE ASSUMPTION THAT A CERTAIN NUMBER OF PEOPLE WILL DIE, RETIRE, OR BECOME DISABLED IN A GIVEN YEAR. PRIOR TO SEPTEMBER 11TH, THE CITY NEVER ANTICIPATED THAT 363 ACTIVE MEMBERS WOULD DIE IN THE LINE OF DUTY AND THEIR BENEFICIARIES ENTER THE PENSION ROLLS SIMULTANEOUSLY. THE CITY WILL THEREFORE NEED TO MAKE ADDITIONAL ANNUAL CONTRIBUTIONS INTO THESE RETIREMENT SYSTEMS TO FUND THESE LOSSES.</p> <p>POLICE AND FIRE ARE INDEPENDENT SINGLE-EMPLOYER PUBLIC RETIREMENT SYSTEMS, FOR FULL-TIME UNIFORMED EMPLOYEES OF THE POLICE AND FIRE DEPARTMENTS, RESPECTIVELY. MEMBERS ARE REQUIRED TO CONTRIBUTE A SET</p>					

AMOUNT FROM EACH PAYCHECK, APPROXIMATELY TWO PERCENT AFTER REDUCTION FOR EMPLOYER-PROVIDED INCREASED-TAKE-HOME-PAY ("ITHP"), INTO THE RETIREMENT SYSTEMS. THE CITY ALSO CONTRIBUTES INTO THE RETIREMENT SYSTEMS ON BEHALF OF THE EMPLOYEES. THIS AMOUNT IS INCLUDED IN THE FRINGE RATE.

THE RETIREMENT SYSTEM PAYS OUT WHEN A MEMBER RETIRES, RETIRES DUE TO PERMANENT DISABILITY, OR DIES IN THE LINE OF DUTY. WHEN A MEMBER RETIRES OR IS ON PERMANENT DISABILITY, POLICE OR FIRE PAYS APPROXIMATELY HALF OF THE MEMBER'S SALARY, DEPENDING ON THE OPTION CHOSEN. IF A MEMBER DIES IN THE LINE OF DUTY, THE PENSION FUND PAYS OUT, AS A DEATH BENEFIT, APPROXIMATELY HALF OF THE MEMBER'S SALARY TO THE SURVIVING BENEFICIARY. THE BENEFICIARY MAY ALSO RECEIVE A BENEFIT OF HALF OF THE MEMBER'S SALARY IN ACCORDANCE WITH GENERAL MUNICIPAL LAW SECTION 208-F, PAYABLE BY THE CITY BUT REIMBURSABLE FROM THE STATE.

THE COST TO POLICE AND FIRE IS MUCH GREATER WHEN A MEMBER WHO HAS NOT ATTAINED RETIREMENT AGE DIES IN THE LINE OF DUTY DUE TO A NUMBER OF FACTORS. RETIREMENT BENEFITS ARE FUNDED WITH MEMBER AND CITY CONTRIBUTIONS FOR TWENTY OR MORE YEARS. THE AVERAGE NUMBER OF YEARS OF CONTRIBUTIONS FOR THOSE WHO DIED IN THE LINE OF DUTY WILL BE CONSIDERABLY LESS. ALSO, RETIREMENT BENEFIT LIABILITIES ARE BASED, IN PART, ON THE LIFE EXPECTANCY OF USUALLY OLDER MEMBERS WHEREAS LINE-OF-DUTY DEATH BENEFIT LIABILITIES ARE BASED, IN PART, ON THE LIFE EXPECTANCY OF A USUALLY YOUNGER BENEFICIARY.

A DESCRIPTION OF POLICE AND FIRE ACTUARIAL LOSSES AND THE METHODOLOGY USED TO CALCULATE THESE LOSSES IS ATTACHED.

SCOPE OF WORK:

Current Version:

THIS PW REIMBURSES NEW YORK CITY A MAXIMUM AMOUNT OF \$64.6 MILLION TO COVER INCREASED CITY CONTRIBUTIONS TO THE PENSION SYSTEM DUE TO THE DEATHS OF ACTIVE AND RETIRED MEMBERS OF POLICE AND FIRE ON SEPTEMBER 11, 2001 WHILE PERFORMING ELIGIBLE EMERGENCY WORK.

SECTION 403 OF THE STAFFORD ACT AUTHORIZES FEMA TO MAKE CONTRIBUTIONS FOR THE PURPOSES OF PROVIDING ASSISTANCE ESSENTIAL TO MEETING IMMEDIATE THREATS TO LIFE AND PROPERTY. THE ACTIVITIES OF FIRST RESPONDERS CLEARLY FALL WITHIN THIS AUTHORITY. EXPENSES INCURRED BY FIRST RESPONDERS AS A DIRECT RESULT OF A DISASTER EVENT ARE ELIGIBLE FOR REIMBURSEMENT THROUGH FEMA'S PUBLIC ASSISTANCE PROGRAM. HOWEVER, COSTS THAT ARE A PRE-DISASTER FIXED COMMITMENT ARE NOT ELIGIBLE FOR REIMBURSEMENT. FOR EXAMPLE, STRAIGHT-TIME SALARIES AND BENEFITS ARE NOT ELIGIBLE BECAUSE THESE COSTS ARE INCURRED REGARDLESS OF WHETHER OR NOT THERE IS A DISASTER (44 CFR ? 206.228(A)(4)). THIS REQUIREMENT SATISFIES THE OBJECTIVES OF ENSURING THAT FEMA ASSISTANCE IS SUPPLEMENTARY TO STATE AND LOCAL EFFORTS AND THAT ONLY ADDITIONAL EXPENSES DIRECTLY CAUSED BY THE DISASTER ARE REIMBURSED.

THE NEW YORK CITY PENSION COSTS ARE A DIRECT RESULT OF EMERGENCY WORK UNDERTAKEN TO ADDRESS IMMEDIATE THREATS TO LIFE AND PROPERTY AS THE RESULT OF A MAJOR DISASTER EVENT. THE CITY AND STATE HAVE A LEGAL RESPONSIBILITY, ESTABLISHED PRE-DISASTER, TO FUND THESE PENSION COSTS. THESE PENSION COSTS REPRESENT AN ADDITIONAL EXPENSE CAUSED BY THE DISASTER, DIFFERENT THAN THE SORT OF STRAIGHT-TIME COSTS FOR WHICH FEMA MAY NOT REIMBURSE APPLICANTS.

ACCORDING TO 44 CFR, PART 13, ALLOWABLE COSTS FOR A STATE, LOCAL, OR INDIAN TRIBAL GOVERNMENT WILL BE DETERMINED ACCORDING TO THE PRINCIPLES OUTLINED IN OMB CIRCULAR A-87. ACCORDING TO OMB CIRCULAR A-87, ATTACHMENT B, ITEM 11D, "TYPICAL DIRECT COSTS CHARGEABLE TO FEDERAL AWARDS ARE: COMPENSATION OF EMPLOYEES FOR THE TIME DEVOTED AND IDENTIFIED SPECIFICALLY TO THE PERFORMANCE OF THOSE AWARDS. COMPENSATION FOR PERSONNEL SERVICES INCLUDES ALL REMUNERATION, PAID CURRENTLY OR ACCRUED, FOR SERVICES RENDERED DURING THE PERIOD OF PERFORMANCE UNDER FEDERAL AWARDS, INCLUDING BUT NOT NECESSARILY LIMITED TO WAGES, SALARIES, AND FRINGE BENEFITS."

THE ADDITIONAL CONTRIBUTION THAT THE CITY WILL NOW HAVE TO PAY INTO THE RETIREMENT SYSTEMS IS ATTRIBUTABLE SPECIFICALLY TO THE LINE-OF-DUTY DEATHS OF THE POLICE AND FIRE MEMBERS WHILE PERFORMING ELIGIBLE EMERGENCY WORK. IN THIS WAY, THE CITY'S ADDITIONAL CONTRIBUTION CAN BE CONSIDERED A DEATH BENEFIT PAID ON BEHALF OF THE MEMBER. THIS BENEFIT, SIMILAR TO THE DEATH BENEFIT PAID BY FDNY, IS REMUNERATION FOR SERVICES RENDERED SINCE IT IS A DIRECT, IMMEDIATE, AND REASONABLE COST RELATED TO THE ELIGIBLE WORK PERFORMED BY THE UNIFORM MEMBERS.

PAYMENTS OF PENSION PLAN COSTS ARE ALLOWABLE UNDER OMB CIRCULAR A-87, ATTACHMENT B, ITEM 11D(5), WHICH STATES "SUCH BENEFITS, WHETHER TREATED AS INDIRECT COSTS OR AS DIRECT COSTS, SHALL BE ALLOCATED TO FEDERAL AWARDS AND ALL OTHER ACTIVITIES IN A MANNER CONSISTENT WITH THE PATTERN OF BENEFITS ATTRIBUTABLE TO THE INDIVIDUALS OR GROUP(S) OF EMPLOYEES WHOSE SALARIES AND WAGES ARE CHARGEABLE TO SUCH FEDERAL AWARDS AND OTHER ACTIVITIES."

BASED ON THE STAFFORD ACT AND OMB CIRCULAR A-87, THE CITY'S INCREASED CONTRIBUTION TO THE PENSION FUND IS ELIGIBLE UNDER THE PUBLIC ASSISTANCE PROGRAM.

AN INDEPENDENT ACTUARY HAS REVIEWED THE CITY'S METHODOLOGY AND CALCULATIONS AND HAS FOUND THEIR ESTIMATE TO BE REASONABLE AND ACCURATE. A MEMO FROM THE INDEPENDENT ACTUARY IS ATTACHED.

THIS CAPPED PROJECT REPRESENTS THE ACTUARIAL LOSS THAT WAS SUSTAINED BY NEW YORK CITY DUE TO THE DEATHS OF UNIFORMED MEMBERS. BECAUSE CONTRIBUTIONS BY THE CITY TO THE PENSION FUNDS WILL BE MADE OVER

MANY YEARS AND WILL NOT BE SEPARATELY ALLOCATED TO THIS PROJECT, THE ACTUARIAL VALUATION OF THE LOSS AT THIS TIME WILL BE THE FINAL AMOUNT OF FEDERAL FUNDING REIMBURSED FOR THIS PROJECT. FEMA'S OFFICE OF THE INSPECTOR GENERAL (OIG) RESERVES THE RIGHT TO AUDIT THIS OR ANY OTHER GRANT ISSUES UNDER DR-1391.

ATTACHMENTS:

1. MEMO FROM ROBERT C. NORTH, NEW YORK CITY CHIEF ACTUARY, TO BUD LARSON, OMB, RE: ESTIMATED ACTUARIAL LOSSES FOR POLICE AND FIRE ATTRIBUTABLE TO THE WORLD TRADE CENTER ATTACK
2. MEMO FROM PRICEWATERHOUSECOOPERS ACTUARY

Does the Scope of Work change the pre-disaster conditions at the site? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Special Considerations included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Hazard Mitigation proposal included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Is there insurance coverage on this facility? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

PROJECT COST

ITEM	CODE	NARRATIVE	QUANTITY/UNIT	UNIT PRICE	COST
		*** Version 0 ***			
1	9999	NYC FIRE & POLICE ACTUARIAL LOSS	1/LS	\$ 64,600,000.00	\$ 64,600,000.00
				TOTAL COST	\$ 64,600,000.00
PREPARED BY Genevieve Keller		TITLE	SIGNATURE		
APPLICANT REP. Not Provided Not Provided		TITLE	SIGNATURE		