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New York City Police Pension Fund  
Subchapter 2



Component Unit Financial Report  
Component Unit  
of  
The City of New York

Fiscal Year Ended  
June 30, 1991  
New York, New York

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Subchapter 2



Component Unit Financial Report  
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The City of New York

Fiscal Year Ended  
June 30, 1991  
New York, New York

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COMPONENT UNIT FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1991

Prepared By: Accounting Unit under the direction of:  
Inspector Philip J. Bowden, Commanding Officer  
New York City Police Pension Fund - Subchapter 2

Actuary

Robert C. North, Jr., Chief Actuary

Custodian of the Funds

Elizabeth Holtzman, Comptroller of the City of New York

Headquarters Address

One Police Plaza, New York, New York 10038

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NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER 2  
COMPONENT UNIT FINANCIAL REPORT

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COMPONENT UNIT FINANCIAL REPORT

INTRODUCTORY SECTION

PART I

FOR THE

FISCAL YEAR ENDED JUNE 30, 1991

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police  
Pension Fund Article 2

For its Component Unit  
Financial Report  
for the Fiscal Year Ended  
June 30, 1990

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.



*[Signature]*  
President

*[Signature]*  
Executive Director



POLICE DEPARTMENT  
POLICE PENSION FUND, SUBCHAPTER 2  
1 POLICE PLAZA, ROOM 1010  
NEW YORK, N.Y. 10038-1497

December 16, 1991

To the Members of the Board of Trustees, Police Pension Fund Subchapter 2.

The Component Unit Financial Report of the Police Pension Fund Subchapter 2 (the Plan) for the fiscal year ended June 30, 1991 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the fund. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operation of the Retirement System. All disclosures necessary to enable the reader to gain an understanding of the Pension System's Financial Activities have been included.

Our independent auditors, Ernst & Young and Mitchell/Titus & Co., have audited our Financial Statements, and have submitted an independent auditors report which is included in this book. The audit was conducted in accordance with generally accepted auditing standards.

The report has been prepared in accordance with the principles of Governmental Accounting and Reporting promulgated by the Governmental Accounting Standards Board. In November of 1986, the Government Accounting Standards Board (GASB) issued Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers" effective for financial reports issued for Fiscal Years beginning after December 15, 1986. The requirements of GASB Statement No. 5 have been implemented in our financial statements.

It is our objective to present fairly the financial statements, supporting schedules and statistical tables. An annual examination of existing Internal Controls is performed in compliance with Directive #1 - Internal Controls issued by the Office of the Comptroller of The City of New York. This study and evaluation disclosed no condition that is a material weakness.

This report will be forwarded to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting. This report consists of four sections:

An Introductory Section which contains the Commanding Officer's Letter of Transmittal and the identification of the Administrative Organization and consulting services utilized by the system, a financial section which contains the opinion of the Independent Certified Public Accountants as well as the Financial Statements of the fund; an Actuarial Section which contains the systems Actuarial Data and the systems Actuarial Certification Letter, the last section contains Statistical Tables of significant Data pertaining to the New York City Police Pension Fund Subchapter 2.

The New York City Police Pension Fund Subchapter 2 represents the Finest Police Officers in the world. During 1975 The City of New York experienced a fiscal crisis. The Police Pension Fund Subchapter 2 as well as the four other actuarial city employee pension funds, (New York City Employees' Retirement System, Teachers' Retirement System, Fire Pension Fund Subchapter 2 and Board of Education Retirement System) purchased millions of dollars of bonds from The City which helped The City avoid bankruptcy.

### Economic Condition And Outlook

The economy of the nation is weak, recovery appears to be uncertain. Many people feel that the economy might slip back into recession. The State and The City are in a period of economic decline. The City preceded the nation into recession, and unemployment is at an all time high. All segments of The City's economy have demonstrated indicators of economic decline. Anticipated receipt of revenues have fallen sharply, corporations are moving outside The City, and consumer spending has weakened. Many firms and organizations have announced cutbacks in The City totaling almost 25,000 jobs. Many of these cutbacks have not occurred, but the realization of these cuts are becoming a reality. Business is hurting, The City is hurting and the residents feel this impact on their daily life styles.

## Major Initiatives for the Year

New York City is not the only city facing budget problems. All around the nation, cities and local governments are on the brink of economic disaster. States are in a similar economic dilemma, and thus, could offer little financial aid to the cities. The federal government has provided little or no support in terms of Federal Grants and Financial Assistance to the cities thus painting a bleak picture. New York City is legally required to balance its budget and its annual financial statements. The City had to implement many procedures to cut spending and reduce its large budget gap. A hiring freeze was imposed, employee layoffs took effect, productivity programs were implemented and city agencies were forced to reduce its budgets drastically. The quality of life in The City has reached an unacceptable level of tolerance; crime is up significantly. In response, The City developed a \$1.8 billion "Safe Streets, Safe City" program to fight crime. The department is now shifting from a policy of emergency response to one of community policing. Beat cops are back on the city streets to form a partnership with the community to fight crime. The legislature expanded the legal list of investments for The City's pension funds, thus allowing diversification which will improve the investment returns of the Pension Funds. New York can now issue both zero coupon and variable rate bonds which saves The City millions of dollars.

The City has implemented new procurement procedures which will save the taxpayer money. The City implemented restructuring of government to provide fair, responsive and effective representations for all of its citizens by redistricting its City Council districts from 35 to 51.

Financial and Budgetary Controls - The management of the plan is responsible for establishing and maintaining an internal control structure designed to ensure that the funds assets are protected from loss, theft, or misuse and that preparation of financial statements are done in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute, assurance that these objectives are met. The plan also maintains budgetary controls.

Investment Policy - The investment policies are adopted by the Board of Trustees. Investments are made in various financial instruments including Domestic and International Stocks and Bonds as well as Short-Term Investments as to minimize risks and maintain a high competitive return. By increasing the funds return, The City contributions to the plan may be reduced, thereby saving The City of New York millions of dollars. The pension plan also

adopted policies of social responsibility. Programs were developed to improve the quality of life in New York City and also the economy of The City, as well and earn market rates of return.

The Small Business Administration Loan Program provides funds to finance small business loans in The City. We have allocated \$50 million for these loans which will provide a good market rate of return. These funds are guaranteed by the United States Government.

The following are consultants for the various types of investments:

FIXED INCOME ADVISORS

GOVERNMENT

Fischer, Francis  
Investment Advisers  
Mellon Bond Associates  
Putman Companies  
Wells Fargo

CORPORATE

Bankers Trust  
T. Rowe Price

EQUITY ADVISORS

J & W Seligman  
Lazard Freres  
Oppenheimer Capital  
Trust Co. of the West  
Passive Fund

FOREIGN

Fiduciary Trust  
Total Yankee

MORTGAGE

Bear Stearns  
Miller, Anderson  
Pimco

The Comptroller of The City of New York is the custodian of the Pension Fund assets and provides investment services through independent advisors. Actuarial services are provided to the system by the City's Chief Actuary employed by the Board of Trustees of The City's main Pension Systems. The City's Corporation Counsel provides legal services to the fund. All financial information is discussed in the financial section.

For the Future

The crime problem has become of major significance affecting the lives of many New Yorkers. The Mayor's "Safe Streets, Safe City Program" represents a comprehensive approach for dealing with our city's crime problems with a primary emphasis upon the police. The Police Department will adopt community policing as its dominant operational philosophy with the goal of having police officers in every neighborhood and every street in The City.

It is the aim of our investment advisors to provide safe and high rates of return for all our investments. The Board of Trustees reviews the performance of the investment advisors periodically in order that maximum returns can be realized.

## Financial Overview and Fund Structure

This report includes all funds of the Police Pension Fund Subchapter 2 which is as follows:

- 1) The Annuity Savings Fund are contributions received from active members usually through payroll deductions.
- 2) The Contingent Reserve Fund are the employer contributions.
- 3) The Annuity Reserve Fund are member contributions transferred at retirement to provide annuity portion of retirement allowance.
- 4) The Pension Reserve Fund are employer contributions transferred at retirement to provide the pension portion at retirement.
- 5) The Group Life Insurance Fund are employer contributions used to provide in the event death benefits are payable to the beneficiary or estate of a member such part of the benefits derived from City contributions (not exceeding \$50,000) shall be paid as insurance from The Group Life Insurance Fund.

## OTHER INFORMATION

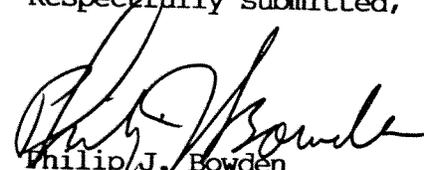
The Government Officers Association of the United States and Canada (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Subchapter 2 for its Component Unit Financial Report for the fiscal years ending June 30, 1987 through June 30, 1990. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of the staff of the Pension Section, the Chief Actuary of the City of New York and the Comptroller's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of indicating stewardship of the assets contributed by the members of the system. I would like to take this opportunity to thank the staff, the advisors and the many people who have worked so diligently to assure the successful operation of The Fund. I also want to express my appreciation to the Accounting Unit especially to our Chief Accountant Abraham Papilsky. I appreciate their efforts, which have continued to be of primary importance in preparation of all accounting and statistical data for this report.

In closing, without the leadership and support of the Board of Trustees, preparation of this report would not have been possible.

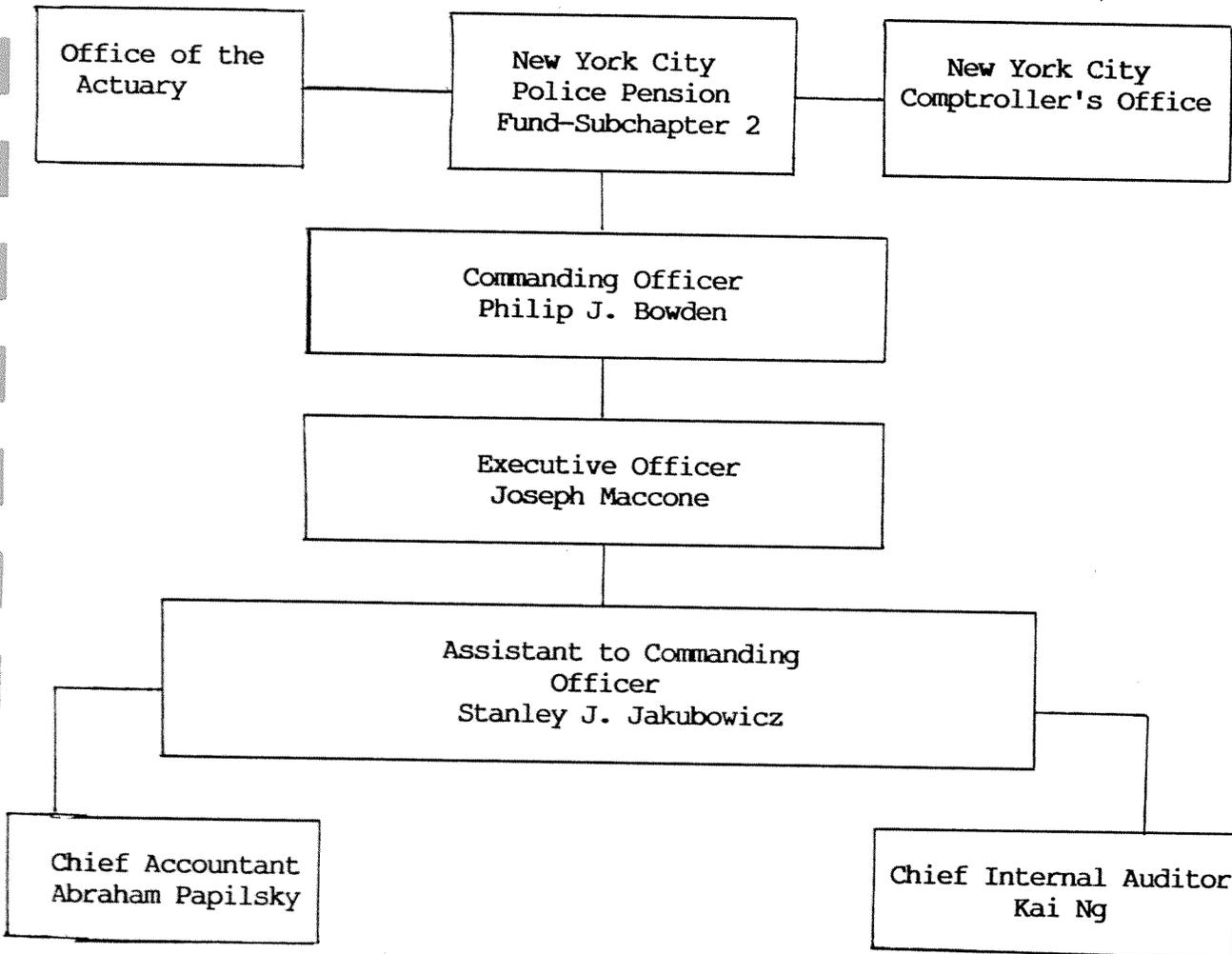
Respectfully submitted,

  
Philip J. Bowden  
Inspector  
Commanding Officer  
Pension Section

PJB:veh

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
ADMINISTRATIVE ORGANIZATION

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NEW YORK CITY POLICE PENSION FUND SUBCHAPTER 2  
SUMMARY SCHEDULE OF COMPENSATION OF ADMINISTRATIVE  
OFFICIALS AND COMMISSIONS & PAYMENTS TO OUTSIDE SERVICES  
FISCAL YEAR ENDED JUNE 30, 1991

COMPENSATION OF  
ADMINISTRATIVE OFFICIALS

SALARY OR  
ALLOWANCE PAID

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Commanding Officer	\$90,318
Executive Officer	85,983
Assistant to Commanding Officer	56,172
Chief Accountant	39,030
Chief Internal Auditor	33,381

Portion of Salary  
Allocated to Police  
Pension Fund  
Subchapter 2

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Allocated Compensation of Other Officials

Comptroller	\$21,000
Corporation Counsel	22,000

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

FINANCIAL SECTION

PART II

FOR THE

FISCAL YEAR ENDED JUNE 30, 1991

## Report of Independent Auditors

To the Board of Trustees  
New York Police Department  
Pension Fund—Subchapter 2

We have audited the accompanying statement of net assets available for pension benefits of the New York Police Department Pension Fund—Subchapter 2 (the "Plan") as of June 30, 1991, and the related statements of changes in net assets available for pension benefits, and cash flows for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan for the year ended June 30, 1990, were audited by other auditors whose report dated October 26, 1990, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for pension benefits of the New York Police Department Pension Fund—Subchapter 2 at June 30, 1991, and the changes in net assets available for pension benefits and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules 5 and 6 are presented for purposes of additional analysis and are not a required part of the financial statements of the Plan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The information on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Ernst + Young*

October 31, 1991

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

STATEMENTS OF NET ASSETS AVAILABLE  
FOR PENSION BENEFITS

June 30, 1991 and 1990

<u>ASSETS</u>	<u>1991</u>	<u>1990</u>
	(In thousands)	
Investments (Notes 2 and 3):		
Securities purchased under agreements to resell	\$ 7,145	\$ -
Other short-term investments	260,922	579,273
Debt securities:		
U.S. Government	1,988,675	2,083,963
Corporate	715,445	680,637
International investment fund - fixed income	63,000	-
Mortgages	569	773
Other	64,173	73,544
Equity securities	3,155,829	3,135,998
International investment fund - equities	<u>314,135</u>	<u>-</u>
Total investments	6,569,893	6,554,188
Cash	121,961	-
Receivables for investment securities sold	27,488	44,109
Accrued interest and dividends receivable	52,079	55,747
Employer contribution receivable—long-term (Note 8)	536,490	547,814
Other assets	<u>3,903</u>	<u>3,398</u>
Total assets	<u>7,311,814</u>	<u>7,205,256</u>
 <u>LIABILITIES</u> 		
Accounts payable (Note 2)	-	45,083
Payables for investment securities purchased	146,404	335,507
Accrued benefits payable	23,290	23,473
Due to New York Police Department variable supplements funds (Note 4)	<u>-</u>	<u>17,983</u>
Total liabilities	169,694	422,046
Contingent Liabilities (Note 10)	<u>-</u>	<u>-</u>
Net assets available for pension benefits	<u>\$ 7,142,120</u>	<u>\$ 6,783,210</u>

See accompanying notes to financial statements.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

STATEMENTS OF CHANGES IN NET ASSETS  
AVAILABLE FOR PENSION BENEFITS

Years Ended June 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
	(In thousands)	
Contributions (Notes 5 and 8):		
Member contributions (net of loans to members)	\$ 13,008	\$ 15,994
Employer contributions	<u>434,877</u>	<u>475,107</u>
Total contributions	<u>447,885</u>	<u>491,101</u>
Investment income:		
Interest income	294,892	273,924
Dividend income	90,382	93,064
Net realized and unrealized gain on investments (Note 3)	<u>98,656</u>	<u>294,784</u>
Net investment income	<u>483,930</u>	<u>661,772</u>
Total contributions and investment income	<u>931,815</u>	<u>1,152,873</u>
Benefit payments and withdrawals (Note 1)	577,775	529,711
Payments from other funds, net	(4,870)	(62)
Excess earnings to New York Police Department variable supplements funds (Note 4)	<u>-</u>	<u>17,983</u>
Total benefit payments, withdrawals and net payments (from) to other funds	<u>572,905</u>	<u>547,632</u>
Increase in net assets available for pension benefits	358,910	605,241
Net assets available for pension benefits at beginning of year	<u>6,783,210</u>	<u>6,177,969</u>
Net assets available for pension benefits at end of year	<u>\$7,142,120</u>	<u>\$ 6,783,210</u>

See accompanying notes to financial statements.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

STATEMENTS OF CASH FLOWS

Years Ended June 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
	(In thousands)	
Cash flows from operating activities:		
Increase in net assets available for pension benefits	\$ <u>358,910</u>	\$ <u>605,241</u>
Adjustments to reconcile increase in net assets available for pension benefits to net cash provided by operating activities:		
Decrease in employer contribution receivable—long-term	11,324	3,719
Increase in other assets	(505)	(609)
(Decrease) increase in accounts payable	(45,083)	45,083
(Decrease) increase in accrued benefits payable	(183)	10,831
(Decrease) increase in due to New York Police Department variable supplements funds	<u>(17,983)</u>	<u>17,983</u>
Total adjustments	<u>(52,430)</u>	<u>77,007</u>
Net cash provided by operating activities	<u>306,480</u>	<u>682,248</u>
Cash flows from investing activities:		
Proceeds on sale of securities	16,407,533	19,680,887
Amortization of premiums and discounts—net	(8,761)	(5,411)
Gain on sale of securities	(79,973)	(150,146)
Increase in unrealized appreciation of equity securities	(18,683)	(144,638)
Decrease (increase) in receivables for investment securities sold	16,621	(34,314)
Decrease (increase) in accrued interest and dividends receivable	3,668	(6,767)
Payments for the purchase of securities	(16,315,821)	(20,346,468)
(Decrease) increase in payables for investment securities purchased	<u>(189,103)</u>	<u>298,786</u>
Net cash used in investing activities	<u>(184,519)</u>	<u>(708,071)</u>
Net increase (decrease) in cash	121,961	(25,823)
Cash at beginning of year	<u>-</u>	<u>25,823</u>
Cash at end of year	<u>\$ 121,961</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

1. Plan Description

The City of New York (the "City") maintains a number of pension systems providing benefits for its employees and employees of various agencies (as defined within plan documents). The City's main pension systems are the New York Police Department Pension Fund—Subchapter 2 (the "Plan"), the New York City Employees' Retirement System, the Teachers' Retirement System, the Board of Education Retirement System and the Fire Department Pension Fund—Subchapter 2. Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the others.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The Plan is a single employer PERS. The Plan provides pension benefits for full-time uniformed employees of the Police Department. All full-time uniformed employees of the New York Police Department are required to become members of the Plan upon employment.

The Plan functions in accordance with existing State statutes and City laws. It combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employer and the members. Employer contributions and investment income provide all benefits not provided by member contributions.

The Plan is a component unit of the City and is included in the City's Comprehensive Annual Financial Report ("CAFR") as a pension trust fund.

At June 30, 1991 and 1990, the Plan's membership consisted of:

	<u>1991</u>	<u>1990</u>
Retirees and beneficiaries currently receiving benefits	29,557	28,726
Terminated vested participants not yet receiving benefits	<u>51</u>	<u>65</u>
Total	<u>29,608</u>	<u>28,791</u>
Current employees:		
Vested	5,805	6,744
Nonvested	<u>22,071</u>	<u>19,509</u>
Total	<u>27,876</u>	<u>26,253</u>

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

1. Plan Description (Cont'd)

The Plan provides three main types of retirement benefits: service retirements, ordinary disability retirements (non job-related disabilities) and accident disability retirements (job-related disabilities).

- A service retirement provides an allowance of one half of "final salary" (as defined within Plan documents) after 20 or 25 years of service (as elected), with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of "average salary" (as defined within Plan documents) times number of years in excess of the 20 or 25 year minimum. These additional benefits are increased, where applicable, by any annuity attributable to employee contributions with respect to service over the 20 or 25 year minimum and by any benefits attributable to the employer's contributions with respect to such service under the Increased-Take-Home-Pay ("ITHP") program.
- An ordinary disability retirement generally provides a pension equal to 1/40 of final salary times the number of years of service but not less than one-half of final salary if ten or more years of service were completed or one-third of final salary if less than ten years of service were completed.
- An accident disability retirement provides a pension of three-fourths of final salary plus an annuity based on the member's contributions with accumulated interest and an amount accumulated under the ITHP program.

Certain service retirees also receive supplemental benefits under the New York Police Department variable supplements funds, which are not included in these financial statements.

The Plan also includes provisions for death benefits.

Subject to certain conditions, members become fully vested as to benefits upon the completion of 15 years of service.

The New York State Constitution provides that the pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, amendments were made to the State Retirement and Social Security Law to modify certain benefits for employees joining the Plan on or after the effective date of such amendments. These amendments, which affect employees who joined the Plan after July 1, 1973, established certain benefit limitations relating to eligibility for retirement, the salary base for benefits and maximum benefits.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Plan is accounted for on the accrual basis where the measurement focus is on the flow of economic resources. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Method Used to Value Investments

Investments in debt securities and mortgages are stated at cost, increased or decreased by amortization of purchase discount or premium. Investments in equity securities are stated at the last reported sales price on a national securities exchange on the last business day of the fiscal year. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Purchases and sales of securities are reflected on the trade date. Realized gains or losses on sales of securities are based on the average cost of securities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

No investment in any one organization represents 5% or more of the net assets available for pension benefits.

Income Taxes

Income retained by the Plan is not subject to Federal income tax.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

2. Summary of Significant Accounting Policies and Plan Asset Matters (Cont'd)

Related Parties

Administrative expenses are paid by the City.

The Comptroller of the City of New York is custodian of plan assets. The Comptroller also provides cash receipt and cash disbursement services to the Plan. Actuarial services are provided to the Plan by the City's Office of the Actuary employed by the Boards of Trustees of the City's main pension systems. The City's Corporation Counsel provides legal services to the Plan. Other administrative services are also provided by the City.

Other

Accounts payable represents, principally, amounts due to banks for benefit payments made on or before June 30, 1990; transfers to the appropriate bank accounts were made after that date.

3. Deposits and Investments

The Administrative Code of The City of New York authorizes the investment of plan assets (other than equities) subject to the terms, conditions, limitations and restrictions imposed by law for investment by savings banks.

The criteria for the Plan investments are as follows:

- (A) Fixed income investments may be made only in U.S. Government securities, securities of Government agencies backed by the U.S. Government, securities of companies rated Single A or better by both Standard & Poor's Corporation and Moody's Investors Service and any bond on the Legal Investments for New York Savings Banks list published annually by the New York State Banking Department.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

3. Deposits and Investments (Cont'd)

- (B) Equity investments may be made only in those stocks that meet the qualifications of the State Retirement and Social Security Law.
- (C) Short-term investments may be made in the following instruments:
  - (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.
  - (ii) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.
  - (iii) Repurchase agreements collateralized in a range of 100% to 103% of matured value purchased through the primary dealers of U.S. Government securities.
- (D) Investments in bankers acceptances and certificates of deposit may be made with any of the ten largest banks with either the highest or next to the highest rating categories of the leading independent bank rating firms.
- (E) Investments up to 7.5% of total pension fund assets in instruments not specifically covered by the State Retirement and Social Security Law.

Cash deposits are fully insured by the Federal Deposit Insurance Corporation for up to \$100,000 per pension member. All investments of the Plan for the years ended June 30, 1991 and 1990 are held by the Plan or by its custodial agent in the Plan's name.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

3. Deposits and Investments (Cont'd)

Investments held by the Plan at June 30, 1991 and 1990 are summarized as follows (in thousands):

	<u>1991</u>		<u>1990</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Securities purchased under agreements to resell	\$ 7,145	\$ 7,145	\$ -	\$ -
Other short-term investments	260,922	260,922	579,273	579,273
Debt securities:				
U.S. Government	1,988,675	1,997,980	2,083,963	2,093,137
Corporate	715,445	716,993	680,637	680,378
International investment fund - fixed income	63,000	65,520	-	-
Mortgages	569	(1)	773	(1)
Other	64,173	64,102	73,544	73,945
Equity securities (Cost was \$2,026,739, and \$2,044,120, respectively)	3,155,829	3,155,829	3,135,998	3,135,998
International investment fund - equities (Cost was \$332,664)	<u>314,135</u>	314,135	<u>-</u>	-
Total investments	<u>\$6,569,893</u>		<u>\$6,554,188</u>	

(1)—Market values for these investments are not readily determinable.

The components of the net realized and unrealized gain on investments are as follows (in thousands):

	<u>1991</u>	<u>1990</u>
Realized gain:		
Proceeds from sales and redemptions	\$16,407,533	\$19,680,887
Carrying value of securities	<u>16,327,560</u>	<u>19,530,741</u>
	79,973	150,146
Increase in unrealized appreciation of equity securities	<u>18,683</u>	<u>144,638</u>
Net realized and unrealized gain	<u>\$ 98,656</u>	<u>\$ 294,784</u>

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

4. Funding Status and Progress

The amount shown below as pension benefit obligation ("PBO") is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the PERS.

Actuarial valuations are performed annually as of June 30. The latest valuation to determine the pension benefit obligation was made as of June 30, 1991.

The more significant assumptions used to calculate the PBO at June 30, 1991 and 1990 are as follows:

	<u>1991</u>	<u>1990</u>
Assumed rate of return on investments	8.5%	8.25%
Mortality basis	Table based on current experience.	Table based on current experience.
Turnover	Table based on current experience.	Table based on current experience.
Retirement	Table based on current experience. Varies from earliest age a member is eligible to retire (age at completion of 20 years of service) until age 63.	Table based on current experience. Varies from earliest age a member is eligible to retire (age at completion of 20 years of service) until age 63.
Salary	In general, merit and promotion component averaging 1% per year plus assumed general wage increase of 5.5% per year.	In general, merit and promotion component averaging 1% per year plus assumed general wage increase of 5.5% per year.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

4. Funding Status and Progress (Cont'd)

The excess of the pension benefit obligation over the net assets available for pension benefits based on the asset valuation assumptions above has been calculated by the Plan's actuary as of June 30, 1991 and 1990 and amounted to:

	<u>1991</u>	<u>1990</u>
	(In millions)	
Pension benefit obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	\$ 5,020	\$ 4,622
Current employees:		
Employee contributions with interest	351	320
Employer-financed vested	1,343	1,500
Employer-financed nonvested	<u>1,576</u>	<u>1,452</u>
Total pension benefit obligations	8,290	7,894
Net assets available for pension benefits	<u>7,142</u>	<u>6,783</u>
Unfunded pension benefit obligations	<u>\$ 1,148</u>	<u>\$ 1,111</u>

The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5.

The same actuarial assumptions used to calculate the employer contributions are used to determine the PBO. Based on the actuarial assumptions last adopted by the Board of Trustees and an 8.5% interest assumption, the June 30, 1991 PBO is \$8.3 billion. The PBO decreased by approximately \$167.5 million utilizing the new interest assumption.

The Administrative Code of the City of New York provides that the Plan pay to the New York Police Department variable supplements funds an amount equal to certain excess earnings on equity investments which exceed what the earnings might have been had such funds been invested in fixed income investments, less any cumulative deficiencies. For fiscal year 1990, there were excess earnings on equity investments of \$18 million, which were due to the Police Department variable supplements funds as of June 30, 1990 and paid during fiscal year 1991. For fiscal year 1991, there were no excess earnings on equity investments.

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NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

4. Funding Status and Progress (Cont'd)

The Police Equity Program was modified in accordance with Chapter 247 of the Laws of 1988. Under Chapter 247, the 6% cap on bond returns was removed in determining the amount of any deficit for the Police Officers' Variable Supplements Fund ("POVSF"). Furthermore, interest will accrue on the deficit attributable to the POVSF until subsequent favorable returns on stocks eliminate any deficit. These changes serve to reduce the amount of the excess earnings payable from the Plan.

5. Contribution Required and Contribution Made

The financial objective of the Plan is to fund employees' retirement benefits during their active service and to establish contribution rates which, expressed as a percentage of active payroll, will remain approximately level from generation to generation.

The frozen entry age actuarial cost method of funding is utilized by the Plan's actuary to calculate the contribution from the employer. Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate. Chapter 608 of the Laws of 1991 amended the funding provisions effective June 30, 1990. This law provides that the Unfunded Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 be amortized over 20 years using schedules of payments for the UAL and BSL combined that is comparable in pattern to the schedules of payments for the first five years that were in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL components are amortized using level payments over 20 years from June 30, 1990. The actuarial cost method used to determine both the Fiscal Year 1990 pension expense and the employer contribution is the Frozen Entry Age actuarial cost method with 35-year amortization of a revised unfunded frozen initial accrued liability (adjusted by unfunded accrued liability adjustments amortized over 30 years). Other components of the unfunded accrued liability are being amortized over 10 to 40 years.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

5. Contribution Required and Contribution Made (Cont'd)

Employer contributions, including the amount to fund the employer contribution receivable—long-term, are accrued by the Plan and are funded by the employer on a current basis and amounted to \$443.6 million and \$477.4 million for fiscal years ended June 30, 1991 and 1990, respectively.

Member contributions are made on the basis of a normal rate of contribution that is assigned by the Plan at the time of membership. The normal rate, which is dependent upon the member's age and plan, as well as the tables in effect at the time of membership, is determined so as to provide an annuity that will be approximately one-quarter of the service retirement allowance at the earliest date for service retirement. Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity.

Contributions from members are recorded when the employer makes payroll deductions from Plan members. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such member's contribution accounts.

Member contributions (net of loans to members) amounted to \$13.0 million and \$16.0 million for the years ended June 30, 1991 and 1990, respectively.

Employer contributions as a percentage of current-year covered payroll were 33.6% and 38.3% for fiscal years ended June 30, 1991 and 1990, respectively. Employee contributions as a percentage of current-year covered payroll were 1.0% and 1.3% at June 30, 1991 and 1990, respectively.

The employer contribution for normal cost was \$283.9 million and for amortization of actuarial accrued liability, including the amount to fund the employer contribution receivable—long-term, was \$159.7 million for fiscal year ended June 30, 1991; the contribution for normal cost was \$292.2 million and for amortization of actuarial accrued liability was \$185.2 million for fiscal year ended June 30, 1990. Employer contributions were equal to the actuary's recommendation.

Upon termination of employment before retirement, members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding. Member contribution account balances, reduced by loans and refunds, at June 30, 1991 and 1990 were approximately \$351.4 million and \$319.6 million, respectively.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

5. Contribution Required and Contribution Made (Cont'd)

The asset valuation method for the entire portfolio (equities and fixed income) is one that values the assets using a typical five-year average market value method. However, if the asset value calculated in this manner exceeds 120% or is less than 80% of the market value on the valuation date, then it is lowered or raised to 120% or 80% of market value, respectively.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note 4. Actuarial assumptions changed in fiscal 1991, resulting in the employer contributions decreasing by approximately \$20.5 million compared to what they would have been utilizing the former assumptions.

6. Ten-Year Historical Trend Information

The unaudited ten-year historical trend information presented on Schedules 1 through 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

The trend information in these Notes to the Financial Statements and Supplementary Information differs from the trend information for those years shown in the Notes to Financial Statements in the City's CAFR. The trend information for Net Assets Available for Pension Benefits shown in these Notes to the Financial Statements and Supplementary Information includes the Employer Contribution Receivable—Long-Term.

7. Financial Accounting Standards Board, Governmental Accounting Standards Board and National Council on Governmental Accounting Actions Regarding Pension Funds of State and Local Governments

The National Council on Governmental Accounting ("NCGA") Statement No. 6 ("NCGA 6"), "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," which was planned to be effective for plan years beginning after June 15, 1982, differs in certain material respects from Financial Accounting Standards Board

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

7. Financial Accounting Standards Board, Governmental Accounting Standards Board and National Council on Governmental Accounting Actions Regarding Pension Funds of State and Local Governments (Cont'd)

("FASB") Statement of Financial Accounting Standard No. 35 ("SFAS 35"), "Accounting and Reporting by Defined Benefit Pension Plans." Since the FASB declared SFAS 35 applicable to both private and public sector pension plans, the NCGA and the FASB undertook discussions aimed at mutually deferring the effective dates of both documents. NCGA 6 was extended indefinitely, to allow time for a reconciliation of differences between these pronouncements. The FASB by means of SFAS 75, dated November 1983, indefinitely deferred the effective date of SFAS 35 for public sector pension plans.

SFAS 35 and NCGA 6 differ, among other things, with regard to asset valuation and disclosure of actuarial liabilities. SFAS 35 requires investments to be stated at fair value (the amount reasonably expected to be received in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale), while NCGA 6 requires equity investments to be stated at cost and fixed income securities to be stated at amortized cost. As indicated previously, the Plan states equity investments at market value and fixed income securities at amortized cost. SFAS 35 requires disclosure of the actuarial present value of accumulated plan benefits, as defined therein; NCGA 6 requires disclosure of the actuarial present value of credited projected benefits, as defined in that document, which takes into consideration future salary increases.

In June 1984, GASB succeeded NCGA as the professional standards setting body for governmental accounting principles. In July 1984, GASB issued Statement No. 1, "Authoritative Status of NCGA Pronouncements and AICPA Audit Guide," effectively confirming that NCGA 6 remains a source of acceptable accounting and reporting principles for public employee retirement systems until such time as GASB has reviewed the differences with FASB and a decision to alter the conclusions of NCGA 6 is determined.

In November of 1986, GASB issued Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers" effective for financial reports issued for fiscal years beginning after December 15, 1986. The requirements of GASB Statement No. 5 have been implemented in these financial statements.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

NOTES TO FINANCIAL STATEMENTS

June 30, 1991 and 1990

8. Employer Contribution Receivable – Long-Term

As a result of state legislation in 1982, the City made certain revisions, effective July 1, 1980, to the Plan. Among other provisions, the legislation changed the timing of pension contributions by the City. Prior to enactment, pension contributions were made on a statutory basis which reflected pension costs incurred two years earlier. The law provides that the accrued pension contributions receivable from the City at June 30, 1980, as adjusted, must be amortized over 40 years beginning in fiscal 1982, with interest at 7.5% (8% beginning in fiscal 1983, 8.25% beginning in fiscal 1989 and 8.5% beginning in 1991).

Chapter 608 of the Laws of 1991 now provides that the accrued pension contributions receivable from the City at June 30, 1990 be amortized over 20 years beginning in fiscal 1991 with interest at 8.5%. The interest is included in employer contributions each year.

9. Investment Advisors

The Comptroller of the City of New York utilizes several investment advisors to manage long-term debt and equity portfolios. Advisors must obtain prior approval before each purchase or sale of a particular security. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

10. Contingent Liabilities

The Plan has a number of claims pending against it and has been named as defendant in a number of lawsuits. The Plan also has certain other contingent liabilities. Management of the Plan, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the net assets available for pension benefits or changes in net assets available for pension benefits of the Plan. Under the State statutes and City laws that govern the functioning of the Plan, increases in the obligation of the Plan to members and beneficiaries ordinarily result in increases in the obligations of the City to the Plan.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION (UNAUDITED)

ANALYSIS OF FUNDING PROGRESS

(In thousands)

Fiscal Year Ended June 30	(1) Net Assets Available for Benefits (Note A)	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation As a Percentage of Annual Covered Payroll (4) / (5)
1982	\$ 2,979,807	\$ 4,513,496	66.0%	\$ 1,533,689	\$ 644,638	237.9%
1983	3,505,050	4,830,110	72.6	1,325,060	678,268	195.4
1984	3,571,890	5,207,242	68.6	1,635,352	747,330	218.8
1985	4,161,276	5,612,979	74.1	1,451,703	858,597	169.1
1986	4,670,010	7,169,151	65.1	2,499,141	980,554	254.9
1987	5,308,189	7,769,507	68.3	2,461,318	1,066,248 (Note D)	230.8
1988 (Note B)	5,438,723	7,038,428	77.3	1,599,705	1,198,145 (Note D)	133.5
1989 (Note B)	6,177,969	7,509,260	82.3	1,331,291	1,184,042 (Note D)	112.4
1990 (Note B)	6,783,210	7,893,983	85.9	1,110,773	1,241,938 (Note D)	89.4
1991 (Note B)	7,142,120	8,290,195	86.2	1,148,075	1,295,023 (Note D)	88.7

Note A—The net assets available for benefits includes the employer contribution receivable—long-term.

Note B—The pension benefit obligation ("PBO") as of June 30, 1991, 1990, 1989 and 1988 is not entirely comparable to that shown for the prior six years. The amount of the PBO depends upon the methodology used in determining what portion of each member's total projected benefit is attributed to his or her service to the date of the actuarial valuation. The methodology for the June 30, 1988 valuation used a proration of such benefit, based upon service to the valuation date, as required by GASB Statement No. 5. The amount attributed under the methodology used for valuations prior to June 30, 1988, was based directly upon the benefit credited to date under the Plan's benefit formula. The June 30, 1988 PBO decreased by \$1,487 million compared to what it would have been using the former methodology. During 1989 actuarial assumptions relating to the assumed rate of return on investments, mortality, turnover and retirement were changed. If the same assumptions had been used at June 30, 1988, the June 30, 1988 PBO would have increased by approximately \$216 million compared to what it is using the former assumptions. The June 30, 1991 PBO decreased by approximately \$168 million as a result of changing the actuarial assumption for rate of return on investments.

Note C—During the years prior to June 30, 1987 there were changes to actuarial assumptions and benefit provisions. It is not practicable to present the effect of such changes.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION (UNAUDITED)

ANALYSIS OF FUNDING PROGRESS

(In thousands)

Note D—The annual covered payrolls were reduced by excluding therefrom all pending withdrawals (five-year outs, etc.). In addition, salaries were increased to reflect overtime earnings. Furthermore, adjustments were made for members not on the payroll at the dates shown, to reflect the fact that most of these members will not return to active service. The adjustments at June 30, 1987 were made to reduce salaries for these members by various percentages. The adjustments on June 30, 1988 and after were made to completely exclude the numbers and salaries for these members.

Note E—Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION (UNAUDITED)  
REVENUE BY SOURCE

(In thousands)

Fiscal Year Ended June 30	Net Member Contributions	Employer Contributions	Investment Income	Other	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1982	\$ 10,966	\$ 265,900	\$ 23,508	\$ -	\$ 300,374	41.2%
1983	(22,895)	299,560	600,532	-	877,197	44.2
1984	15,192	297,047	62,227	-	374,466	39.7
1985	11,641	312,225	601,962	1,158	926,986	36.4
1986	21,139	422,995	843,221	-	1,287,355	43.1
1987	22,113	477,457	794,636	162	1,294,368	44.8
1988	17,990	496,478	56,423	830	571,721	41.4
1989	16,508	529,816	687,228	-	1,233,552	44.7
1990	15,994	475,107	661,772	62	1,152,935	38.3
1991	13,008	434,877	483,930	4,870	936,685	33.6

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION (UNAUDITED)  
EXPENSE BY TYPE

(In thousands)

Fiscal Year Ended June 30	Benefit Payments	Refunds	Administrative Expenses	Payments to Other Pension Funds	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1982	\$ 234,216	\$ 4,103	\$ -	\$ 199	\$238,518	41.2%
1983	279,484	3,958	-	-	283,442	44.2
1984	305,259	1,211	-	-	306,470	39.7
1985	335,602	1,996	2	-	337,600	36.4
1986	373,808	1,958	2	402,853	778,621	43.1
1987	408,428	1,437	3	246,321	656,189	44.8
1988	440,056	1,108	23	-	441,187	41.4
1989	490,688	1,105	5	2,508	494,306	44.7
1990	528,503	1,207	1	17,983	547,694	38.3
1991	576,901	874	-	-	577,775	33.6

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended June 30, 1991

(In thousands)

Expenses charged to Police agency budget:	
Salaries and wages	<u>\$1,835</u>
Charges incurred by other City agencies on behalf of Police:	
Office of the Comptroller:	
Third Deputy Comptroller's office:	
Executive management costs	44
Personal service costs	373
Equity management	1,986
Fixed income management	2,256
Custodial services	639
International securities management	401
Publications	6
Other	27
First Deputy Comptroller's office:	
Personal service costs	152
Utilities, maintenance and telephone	12
Data processing	82
Postage and miscellaneous mailroom charges	142
General administrative	<u>118</u>
	6,238
Law Department	358
Department of Finance	18
Office of Management and Budget	<u>127</u>
Total administrative expenses	<u>\$8,576</u>

Note: Administrative expenses are defrayed by the City of New York.

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 1991

(In thousands)

Cash balance July 1, 1990	\$ -
Add receipts:	
Member contributions	12,504
Employer contributions	446,201
Interest and dividends	380,181
Investments redeemed	16,327,560
Realized gain	79,973
Transfers from other Police Department funds	4,870
Receivable for investment securities sold	<u>16,621</u>
Total cash receipts	<u>17,267,910</u>
Total cash available	<u>17,267,910</u>
Less disbursements:	
Benefit payments	622,168
Investments purchased	16,315,821
Decrease in payable for investments purchased	189,103
Refunds	874
Payments to New York Police variable supplements funds	<u>17,983</u>
Total cash disbursements	<u>17,145,949</u>
Cash balance June 30, 1991	<u>\$ 121,961</u>

NEW YORK POLICE DEPARTMENT  
PENSION FUND—SUBCHAPTER 2

SUPPLEMENTARY INFORMATION

INVESTMENT SUMMARY

Year Ended June 30, 1991  
(In thousands)

Type of Investment	June 30, 1990			June 30, 1991			% of Total Market Value	
	Book Value	Market Value	Purchases	Sales and Redemptions	Net Amortization of Premium and Discount	Book Value		Market Value
Securities purchased under agreements to resell	\$ -	\$ -	\$ 6,097,585	\$ 6,090,440	\$ -	\$ 7,145	\$ 7,145	.11%
Other short-term investments	579,273	579,273	4,097,546	4,415,897	-	260,922	260,922	3.96
Total short-term investments	579,273	579,273	10,195,131	10,506,337	-	268,067	268,067	4.07
U.S. Government debt securities	2,083,963	2,093,137	4,317,272	4,415,080	2,520	1,988,675	1,997,980	30.35
Corporate debt securities	680,637	680,378	356,562	328,196	6,442	715,445	716,993	10.89
International investment fund - fixed income	-	-	63,000	-	-	63,000	65,520	1.00
Mortgages	773	(A)	-	204	-	569	(A)	-
Other debt securities	73,544	73,945	240,957	250,127	(201)	64,173	64,102	.97
Total debt securities	2,838,917	2,838,917	4,977,791	4,993,607	8,761	2,831,862	2,831,862	43.21
Equity securities	2,044,120	3,135,998	613,309	630,690	-	2,026,739	3,155,829	47.94
International investment fund - equities	-	-	529,590	196,926	-	332,664	314,135	4.78
Total equity securities	2,044,120	3,135,998	1,142,899	827,616	-	2,359,403	3,469,964	52.72
Total investments	\$ 5,462,310	\$ 5,462,310	\$ 16,315,821	\$ 16,327,560	\$ 8,761	\$ 5,459,332	\$ 5,459,332	100.00%

(A) Market values for these investments are not readily determinable.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

ACTUARIAL SECTION

PART III

FOR THE

FISCAL YEAR ENDED JUNE 30, 1991

OFFICE OF THE ACTUARY

220 CHURCH STREET • NEW YORK, N.Y. 10013  
(212) 566-7677 • FAX: (212) 566-2781

**ROBERT C. NORTH, JR.**  
CHIEF ACTUARY



December 6, 1991

Members of the Board of Trustees  
New York City Police Department,  
Subchapter Two Pension Fund  
One Police Plaza  
New York, NY 10038

Re: Actuarial Information For Fiscal Year 1991  
Comprehensive Unit Financial Report For  
June 30, 1991

Dear Members:

The financial objective of the New York City Police Department, Subchapter Two Pension Fund is to fund employees' retirement benefits during their active service and to establish normal contribution rates which, expressed as a percentage of active member total annualized covered payroll, will remain approximately level over the future working lifetimes of those active members.

Employer contributions to the Pension Fund are made on a statutory basis consistent with generally accepted actuarial principles.

Chapter 608 of the Laws of 1991 amended the funding provisions of the Pension Fund effective June 30, 1990 and was signed into law on July 26, 1991. The assumed rate of return on investments was changed from 8.25% per annum to 8.50% per annum.

The actuarial cost method used to determine the Fiscal Year 1991 employer contribution is the Frozen Entry Age Actuarial Cost Method where, because of the change in the actuarial interest rate, the present value of future normal contributions has been reestablished.

Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

This law provides that the Unfunded Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 be amortized over 20 years using a schedule of payments for the UAL and BSL combined that is comparable in pattern to the schedule of payments for the first five years that was in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL component is amortized using level payments over 20 years from June 30, 1990.

Investments of the Pension Fund are valued using a five-year moving average of market values.

Data are submitted by the Pension Fund's administrative staff, by the employers' payroll facilities and by the Comptroller of the City of New York, and are reviewed by the Office of the Actuary for consistency and reasonability.

Actuarial valuations are performed annually as of June 30.

The schedules in this report present the financial position of the Pension Fund including information required by the Governmental Accounting Standards Board as of June 30, 1991.

Respectfully Submitted,



Robert C. North, Jr.  
Chief Actuary

NEW YORK CITY POLICE DEPARTMENT,  
SUBCHAPTER 2 PENSION FUND

Summary of Actuarial Assumptions and Methods

- (1) The assumed investment return rate is 8.50%.
- (2) The mortality tables for service and disability pensioners were developed from an experience study of the New York City Police Department, Subchapter 1 and 2 Pension Fund pensioners. Sample probabilities are shown in Table 1.
- (3) A retirement Table is used to predict retirements and deaths after eligibility for service benefits. Sample probabilities are shown in Table 2.
- (4) An active service table is used to predict various withdrawals from active service. Sample probabilities are shown in Table 3.
- (5) A salary scale is used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The salary scale includes an assumed wage inflation rate of 5 1/2%.
- (6) The valuation method assumes a closed group. Salaries of members on the valuation date are assumed to increase in accordance with the salary scale.
- (7) The actuarial cost method used is the Frozen Entry Age Actuarial Cost Method. Under this method, the excess of the actuarial present value of Projected Benefits of all the members of the New York City Police Department, Subchapter 2 Pension Fund ("NYCPDPF") as of the valuation date, over the sum of the Actuarial value of Assets plus the unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the future earnings of all members of NYCPDPF who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.
- (8) The assumptions described herein were adopted effective June 30, 1988. These assumptions were based on an experience study of the period July 1, 1982 through June 30, 1987. Details of this study are included in the Buck Consultants report, Final Report On the Experience Study of five Retirement Systems of the City of New York, dated July 26, 1988.
- (9) Male rates are used for both males and females, since the number of female members is not significant.

Table 1

Deaths among Service and Disability Pensioners

Percent of Pensioners Dying Within Next Year

<u>Age</u>	<u>Service Pensioners</u>	<u>Disability Pensioners</u>
40	.3179%	.4192%
50	.5063	.9356
60	1.3447	1.9134
70	3.5049	4.5521
80	9.4393	12.0791
90	18.2404	21.5143
100	33.1849	35.3333
110	100.0000	100.0000

Table 2

Retirements and Deaths after Eligibility for Service Benefits

Percent of Eligible Active Members Retiring  
or Dying Within Next Year

<u>Age</u>	<u>Service Retirements</u>			<u>Accident Disability Retirements</u>	<u>Ordinary Disability Retirements</u>	<u>Death</u>
	<u>Years of Service 0-1</u>	<u>1-2</u>	<u>More than 2</u>			
40	38.0000%	-	-	2.3262%	.9719%	.1387%
5	35.0000	15.0000%	10.0000%	2.4215	1.1253	.2426
0	30.0000	15.0000	8.0000	2.5175	1.7789	.3899
55	20.0000	10.0000	7.0000	3.1928	3.2860	.5662
0	20.0000	10.0000	7.0000	4.3876	5.8335	.7687
3	85.5450	85.5450	85.5450	5.3702	8.1797	.9051

Table 3

Withdrawals from Active Service before Eligibility for Service Benefits

Percent of Active Members Separating Within Next Year

<u>Age</u>	<u>Withdrawal</u>	<u>Accident Death</u>	<u>Ordinary Death</u>	<u>Accident Disability</u>	<u>Ordinary Disability</u>
20	7.000%	.020%	.0574%	.2625%	.0682%
25	6.500	.020	.0625	.5198	.2040
30	5.000	.020	.0681	1.0009	.5762
35	2.000	.020	.0831	1.9980	.8667
40	1.500	.020	.1387	2.3262	.9719
45	1.000	.020	.2426	2.4215	1.1253
50	.500	.010	.3899	2.5175	1.7789
55	.184	--	.5662	3.1928	3.2860
60	.125	--	.7687	4.3876	5.8335

Table 4

Salary Scale

<u>Age</u>	<u>Assumed Percentage Increase Within Next Year</u>
20	13.42%
25	9.66
30	7.23
35	6.18
40	5.98
45	5.77
50	5.58
55	5.53
60	5.50

Of the total increase shown, 5 1/2% is assumed to be general wage increase due to inflation and the remainder is assumed to be merit and promotion.

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NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

ECONOMIC ASSUMPTIONS

To fully evaluate trends in actuarial values, changes in assumptions and benefits need to be considered. The economic assumptions used in the actuarial calculations for pension benefit obligations are as follows:

<u>Fiscal Year</u>	<u>Assumed rate of return on investment</u>	<u>Merit and promotion component averaging 1% per year plus assumed general increase per year of</u>
1982	8.0	6.5
1983	8.0	6.5
1984	8.0	6.5
1985	8.0	6.5
1986	8.0	5.5
1987	8.0	5.5
1988	8.0	5.5
1989	8.25	5.5
1990	8.25	5.5
1991	8.50	5.5

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number*</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>%Increase In Average Pay</u>
6-30-82	24,816	654,956,079	26,392	5.4
6-30-83	24,265	688,483,523	28,374	7.5
6-30-84	24,943	757,460,611	30,368	7.0
6-30-85	26,986	867,997,441	32,165	5.9
6-30-86	27,380	958,948,300	35,024	8.9
6-30-87	28,341	1,049,129,615	37,018	5.7
6-30-88	28,144	1,163,247,025	41,332	11.7
6-30-89	26,440	1,184,041,790	44,782	8.3
6-30-90	25,927	1,241,937,674	47,901	7.0
6-30-91	27,368	1,295,023,092	47,319	1.2

\* Prior to 1986 overtime earnings were not reflected in the salaries. Beginning June 30, 1986 salaries were increased by 4% to reflect overtime earnings.

Prior to 1989 active members included all those who were on payroll within the last five years. Beginning June 30, 1989 active members includes only those who were on payroll as of the valuation date.

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2  
 SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED  
 TO AND REMOVED FROM ROLLS

Year Ended	Added to Rolls		Removed From Rolls		Rolls End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number (1)	Annual Allowances	Number (2)	Annual Allowances	Number	Annual Allowances		
6-30-82	2212	42,901,384	193	2,221,237	19125	237,558,336	20.7	12,421
6-30-83	1978	39,465,489	229	2,884,409	20874	274,179,416	15.4	13,135
6-30-84	1614	32,454,286	237	3,112,758	22251	303,520,944	10.7	13,641
6-30-85	1146	26,555,157	257	3,505,480	23140	326,570,621	7.6	14,113
6-30-86	1507	41,594,530	304	4,290,352	24343	363,874,799	11.4	14,948
6-30-87	1536	49,927,245	319	4,768,412	25560	409,033,632	12.4	16,003
6-30-88	1247	47,650,374	347	5,537,773	26460	451,146,233	10.3	17,050
6-30-89	1290	31,356,392	356	6,069,800	27394	476,432,825	5.6	17,392
6-30-90	1735	36,242,327	403	7,008,976	28726	505,666,176	6.1	17,603
6-30-91(2)	1355(3)	63,565,988	524 (4)	9,223,972	29557	560,008,192	10.75	18,947

(1) Actual pension numbers issued during fiscal year.

(2) Actual termination numbers issued during fiscal year.

(3) Sum of the number added during year and the number of additions by transfer as shown on lines 2 and 3 of page 6 of the Annual Statement to the New York State Insurance Department.

(4) Sum of the number of deaths and the number decreased by transfer as shown on lines 5(f) and 5(g) of page 6 of the Annual Statement to the New York State Insurance Department.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
SOLVENCY TEST

ANALYSIS OF FUNDING PROGRESS IN CONFORMITY WITH THE PENSION FUND'S FUNDING METHOD

At June 30,	Actuarial Value of Assets (A)	Accrued Pension Benefit Liability (B) (in thousands)	Percentage (A)/(B)	Unfunded Accrued Pension Benefit Liability (B)/(A)
1981.....	\$1,974,660	\$3,530,692	55.9%	\$1,556,032
1982.....	2,140,701	3,540,998	60.5	1,400,297
1983.....	2,538,305	3,931,543	64.6	1,393,238
1984.....	2,812,959	4,195,463	67.0	1,382,504
1985.....	3,098,196	4,726,857	65.5	1,628,661
1986.....	3,363,344	5,002,539	67.2	1,639,195
1987.....	3,827,780	5,573,444	68.7	1,745,664
1988.....	4,301,900	6,114,974	70.4	1,813,074
1989.....	5,043,761	6,814,238	74.0	1,770,477
1990.....	5,670,648	7,112,098	79.7	1,441,450
1991.....	N/A	N/A	N/A	N/A

To effectively assess the funding progress of a pension fund, it is necessary to compare the actuarial value of asset and the accrued pension benefit liabilities calculated in a manner consistent with the pension fund's funding method over a period of time.

The actuarial value of assets, used to determine the employer contribution rate, is smoothed to dampen the effects of market fluctuations. Amounts attributable to employee contributions are excluded from both the Actuarial value of assets and the accrued pension benefit liability. For purposes of making these calculations, accrued pension contributions receivable from the employers were not included in the Actuarial Value of Assets.

The accrued pension benefit liability is calculated consistent with the pension fund's funding method and Actuarial Assumptions then in effect.  
 N/A = Not Available

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 SCHEDULE OF RECOMMENDED VS. ACTUAL CONTRIBUTIONS  
 (in thousands)

<u>Fiscal Year</u> <u>Ended</u>	<u>Actual</u> <u>Employer</u> <u>Contributions*</u> (A)	<u>Actuary's</u> <u>recommended</u> <u>Contributions</u> (B)	<u>Employer Rates</u> <u>Contributions**</u>
6-30-82	\$251,644	\$265,201	45.783%
6-30-83	282,968	287,831	44.648
6-30-84	299,639	299,639	44.177
6-30-85	315,022	315,022	42.153
6-30-86	426,015	426,015	48.075
6-30-87	480,720	480,720	49.025
6-30-88	500,001	500,001	46.893
6-30-89	533,621	533,621	44.612
6-30-90	447,397	477,397	40.319
6-30-91	443,582	443,582	35.717

\* Represents contributions received on a cash basis per actuary's recommendations. Contributions on the accrual basis are shown in the financial statements and "Schedule of Revenues by Source".

\*\*The employer rates of contribution represent a percentage of members salaries on the preceding June 30.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
STATEMENT OF PENSION BENEFIT OBLIGATION

The excess of the Pension Benefit Obligation over the Net Assets Available for Benefits based on the asset valuation assumption above has been calculated by the Plan's Actuary as of June 30, 1991 and 1990 and amount to:

	<u>1991</u>	<u>1990</u>
	(Millions)	
Pension Benefit Obligation:		
Retirees and beneficiaries receiving benefits and terminated participants not yet receiving benefits	\$5,020	\$4,622
Current employees:		
Employee contributions with interest	352	320
Employer - financed vested	1,343	1,500
Employer - financed non-vested	<u>1,575</u>	<u>1,452</u>
Total Pension Benefit Obligation	8,290	7,894
Net Assets Available for Benefits	<u>7,142</u>	<u>6,783</u>
Unfunded Pension Benefit Obligation	<u><u>\$1,148</u></u>	<u><u>\$1,111</u></u>

Based on the actuarial assumptions currently in effect, including an actuarial interest rate of 8.50% per annum, the June 30, 1990 PBO decreased by approximately \$167.5 million compared to what it would have been using the former actuarial interest rate assumption of 8.25% per annum.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

SUMMARY OF PLAN PROVISIONS

DEFINITIONS

Accumulated Deductions - The total contributions made by a member to his annuity savings account, with regular and special interest thereon.

Minimum Accumulation - The amount of normal contributions accumulated with interest to the earliest date for service retirement less the amount of the reserve for increased take home pay on such date.

Reserved for Increased Take Home Pay - A reserve of 2.5% or 5% or the member's salary, pursuant to the provisions of Section 13-226 of the Code, accumulated with regular and additional interest.

Final Salary - (1) For a member who joined prior to July 1, 1973, the annual rate of salary earnable on the date of retirement.  
(2) For a member who joined after June 30, 1973, the average salary earned during any three consecutive years which provide the highest average salary. However, if the salary earned during any year included in this three year period exceeds the average of the previous two years by more than twenty percent, the amount in excess of twenty percent is excluded from the computation.

Variable Supplements Funds - Funds independent of the Police Pension Fund established pursuant to Chapter 876 of the Laws of 1970, under which service retirees receive supplemental benefits financed by earnings on equities in excess of what could have been realized on fixed income securities.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

BENEFITS

Briefly stated, the benefit provisions and the contribution provisions, of which account was taken in the valuation, are as follows:

I. SERVICE RETIREMENT

The service retirement allowance consists of two parts, a pension payable from City contributions and an annuity from member's contributions.

According to his election when he joined the Pension Fund, a member may retire from service after having completed 20 years of police service, or after having completed 25 years of police service, or at the attainment of age 55 regardless of years of service.

Upon retirement after having become eligible for service retirement but not later than the attainment of age 63, the member receives an allowance which is the sum of (a) 50% of final salary, reduced by an annuity which is the actuarial equivalent of the minimum accumulation, (b) an annuity which is the actuarial equivalent of the accumulated deduction and (c) for all years of service other than the minimum required service:

(i) for a member who joined prior to July 1, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each year of such service; for a member who joined after June 30, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each of the first ten years of such service,

and

(ii) a pension for increased-take-home-pay which is the actuarial equivalent of the reserve for increased-take-home-pay.

## NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

### II. ORDINARY DISABILITY RETIREMENT

An ordinary disability retirement allowance is paid upon the disablement of a member from causes other than accident in the actual performance of duty.

For a member who elected the 20 year plan, the ordinary disability retirement allowance is equal to  $1/40$  ( $1/50$  for members who elected the 25 year plan;  $1/60$  for members who elected to retire at the attainment of age 55) of final salary multiplied by the number of years of service for a member who joined before July 1, 1973, and multiplied by the number of years of service not exceeding thirty for a member who joined after June 30, 1973, but not less than  $1/2$  of his final salary if he completed 10 or more years of City service, or  $1/3$  of his final salary if less than 10 years of City service.

### III. ACCIDENT DISABILITY RETIREMENT

Upon the occurrence of disability caused by an accident in the actual performance of duty, a member is granted a retirement allowance. The allowance consists of a pension equal to three-fourths of his final salary and, if he is eligible for service retirement, an additional increment of  $1/60$  of average salary from date of eligibility for service retirement to date of retirement for each year of service after the completion of the required minimum for a member who joined after July 1, 1973, and for each of the first ten years of service after the completion of the required minimum for a member who joined after June 30, 1973. An additional pension is paid which is the actuarial equivalent of the reserve for increased-take-home-pay, as well as an annuity which is the amount which can be purchased with the member's accumulated deductions.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

IV. ORDINARY DEATH BENEFIT

Upon the death of a member in active service from causes other than accident in their actual performance of duty, a benefit is paid to his estate or to such person as he shall have nominated.

With respect to a member who joined before July 1, 1973, the benefit is equal to the compensation earnable by the member in the six months immediately preceding his death and, if the total number of years of allowable service exceeds ten, then the benefit is equal to the compensation earnable by him during the twelve months immediately preceding death. In addition, the member's accumulated deductions, the reserve for increased-take-home-pay, and the City's obligation on account of military service, if any, are paid to his estate or to his designated beneficiary.

The benefit payable on account of such a member who at the time of his death, would have been eligible for service retirement is either the benefit described above or an amount equal to the reserve on the retirement allowance which would have been payable if he had retired on the day before his death, whichever is larger.

A member who joins after June 30, 1973 is covered for a death benefit upon completion of 90 days of service. The amount of the death benefit is equal to three times member's salary raised to the next higher multiple of \$1,000. In addition, the member's accumulated deductions are payable.

The Rules and Regulations adopted by the Board of Trustees in accordance with Chapter 581 of the Laws of 1970 provide that the first \$50,000 of each benefit on account of death in active service is payable from the group term life insurance plan. Only the amount in excess of \$50,000, if any, is payable by the Pension Fund.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

V. ACCIDENT DEATH BENEFIT

The benefit is payable upon the death of a member which occurs as the result of an accident sustained in the performance of duty.

The accidental death benefit is a lump sum payment of the reserve for increased-take-home-pay and a pension equal to one-half of the average salary in the five years immediately preceding death but not less than one-half the full salary of a first grade patrolman, payable to the widow until death, or if there is no widow, to a child, or children until the attainment of age 18 of the youngest child or age 23 if a full-time student, or if there is no widow or child, to the dependent parents. In addition, the member's accumulated deductions are paid to his estate or designated beneficiary.

VI. TERMINATION OF EMPLOYMENT

A member who either resigns or is dismissed receives a benefit equal to his accumulated deductions. At resignation with a least 15 years of service, at least 5 of which immediately precede resignation, the member may elect, in lieu of a return of his accumulated deductions, to receive a service retirement allowance reduced in proportion to his years of service. The allowance is deferred to the earliest date on which the member would have been eligible for service retirement. Should a member who elected to receive a vested retirement allowance die during the period of deferment, the benefit will be the accumulated deductions.

VII. DEPENDENT BENEFIT

Upon the death of a member during active service or after retirement, a pension of \$600 per annum is payable to the widow, to a child, or to the dependent parents, provided that upon becoming a member, he had elected to make the additional contributions required for this benefit.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

Initially, a supplemental retirement allowance was payable to each eligible pensioner who retired prior to calendar year 1980 as follows:

1. To disability pensioners in accordance with the payment commencement date shown below.

2. To other-than-disability at the latter of (a) the payment commencement date shown below, or (b) the July 1, next following the pensioner's attainment of age 62.

<u>Calendar Year of Retirement</u>	<u>Date Payments Commence</u>
1972 or prior	July 1, 1981
1973	July 1, 1982
1974, 1975, 1976	July 1, 1983
1977, 1978	July 1, 1984
1979	July 1, 1985

The original Supplemental Retirement Allowance was computed by multiplying a percentage applicable to such pensioner, as determined by the calendar year of retirement, by the base amount for the pensioner. The percentage payable was based on the charge in the Federal Consumer Price Index from the year of retirement through 1969, (this change in percentage was increased by 100% for those who retired prior to April 1, 1958), plus an additional increase ranging from 4 1/2% to 50%. The base amount was defined as the first \$8,000 of the annual retirement allowance, when such allowance was computed without optional modification. For instance, the supplemental pension paid to an eligible person who retired in 1965 was 40.1% of the first \$8,000 of the maximum retirement allowance, regardless of whether an option was selected at retirement.

Effective September 1, 1986 and September 1, 1987, the Supplemental Retirement Allowances were increased by adding additional percentages ranging from 1.5% to 21.0%, as of each of their two dates. In addition, the base amount was raised from \$8,000 to \$10,500. In the example above, the additional percentages for each date was 10.5%, so that the total supplemental allowance became 61.1% of the first \$10,500 of the maximum retirement allowance, regardless of whether an option was selected at retirement.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

Effective May 1, 1988, the Supplemental Retirement Allowances were amended again by extending benefits for pensioners retired in 1980, 1981, and 1982, by adding percentages ranging from 1.5% to 126.3%, by introducing supplemental benefits to the pensioner's spouse if the member had elected a joint and survivor option in favor of such spouse and by becoming immediately upon attainment of age 62 for other than disability pensioners. In the examples above, the increase is 35.3%, making a total of 96.4% of the first \$10,500 of the maximum retirement allowance.

Following is a summary of the component of this percentage.

SUPPLEMENTATION PERCENTAGE TO BE PAID

<u>Calendar year of Retirement</u>	<u>Original Percentage</u>	<u>Sept. 1986 Addition</u>	<u>Sept. 1987 Addition</u>	<u>May 1987 Addition</u>	<u>Total Percent as of 5/1/88</u>
1965	40.1%	10.5%	10.5%	35.3%	96.4%

Supplemental benefits are payable during the lifetime of the pensioner. The spouse of a deceased pensioner, where such pensioner had elected one of the options under the Administrative Code which provides that benefits are to be continued for the life of such spouse after the death of the pensioner, and where the death of such pensioner occurred or occurs more than thirty days after the effective date of the retirement of such pensioner, is entitled to receive a monthly supplemental retirement allowance. Such monthly supplemental retirement allowance is equal in amount to one-half of the monthly supplemental retirement allowance with which the pensioner would be receiving if living.

## NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

### OPTIONS ON RETIREMENT

A member upon retirement may elect to receive his basic retirement allowance payable in monthly installments throughout life with all payments ending at death, or may elect to receive the actuarial equivalent in any one of the following optional forms:

(a) With respect to members who join prior to July 1, 1973, a cash refund allowance under which reduced payments will be made during life with a provision that, in case of death before such payments have equaled the present value of the retirement allowance at date of retirement, the balance shall be paid to the designated beneficiary or estate. With respect to members who join after June 30, 1973, this option is only available with respect to the annuity.

(b) With respect to members who join after June 30, 1973, a ten year (or five year) certain and life allowance under which reduced payments will be made during life with a provision that, in case of death within ten (five) years of retirement, the balance that would have been payable had the member survived for ten (five) years shall be paid to the designated beneficiary or estate.

(c) A joint and survivor allowance under which reduced payments will be made during life with a provision that at the death of the member the same payments or one-half of such payments shall be continued throughout the life of such other person as the member shall have designated.

(d) Such other form of actuarial equivalent as may be certified by the actuary and approved by the Board of Trustees. By resolution, the Board of Trustees has approved an option under which reduced payments will be made during life with a provision that upon his death, a sum specified by the member at the time of retirement shall be paid to his designated beneficiary or estate.

## NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

### CONTRIBUTIONS

The benefits of the Fund are financed by employee and employer contributions and from the earnings on the invested funds.

#### I. EMPLOYEE CONTRIBUTIONS

Each member contributes by salary deductions on the basis of a normal rate of contribution which is assigned by the Pension Fund at the time he becomes a member. The normal rate, which is dependent upon the member's age and plan as well as the tables in effect at the time he became a member, is determined so as to provide an annuity which will be approximately one-quarter of the service retirement allowance at the earliest date for service retirement. Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity.

Member contributions are accumulated with interest on individually maintained accounts. Upon retirement, the amount to his credit, i.e. accumulated deductions is used to purchase his annuity on the basis of the tables adopted by the Board. Upon death the accumulated deductions are paid to the beneficiary, and on termination of employment other than by death or retirement the accumulated deductions are returned to the member.

A member upon joining the Pension Fund may elect to contribute by salary deductions an amount computed to be sufficient to provide the cost of the dependent benefit. Such contributions are payable during his entire active service and are not returnable to the member.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

STATISTICAL SECTION

PART IV

FOR THE

FISCAL YEAR ENDED JUNE 30, 1991

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 SCHEDULE OF BENEFIT EXPENSES BY TYPE  
 (in thousands)

LUMP SUM PAYMENTS

FISCAL YEAR	SERVICE AND DISABILITY RETIREMENT	ORDINARY DEATH IN SERVICE	PAYMENTS DEATH AFTER RETIREMENT	LINE OF DUTY DEATHS	TOTAL
6-30-82	224,016	6,354	2,182	1,664	234,216
6-30-83	272,179	4,662	881	1,762	279,484
6-30-84	295,224	7,033	1,147	1,855	305,259
6-30-85	323,003	7,992	2,663	1,944	335,602
6-30-86	358,909	10,836	2,004	2,059	373,808
6-30-87	393,734	9,787	2,788	2,119	408,428
6-30-88	429,503	6,031	2,275	2,247	440,056
6-30-89	476,331	9,707	2,322	2,328	490,688
6-30-90	515,693	8,282	2,070	2,458	528,503
6-30-91	556,232	15,500	2,481	2,690	576,903

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT  
 JUNE 30, 1991

AGE AND SERVICE RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	470	22025	0	—
45-49	2292	19805	6	16793
50-54	2477	17764	29	17398
55-59	2223	14784	22	17616
60-64	2699	13691	33	11438
65-69	2691	12147	44	10864
70-74	1984	11402	19	9885
75 & over	492	12089	19	12036

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	451	12825	26	14130
45-49	653	12377	20	14228
50-54	433	13264	11	11220
55-59	410	17280	16	10651
60-64	760	23198	7	18930
65-69	743	24590	14	19018
70-74	449	21614	13	18416
75 & over	101	21188	2	21724

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT  
 JUNE 30, 1991

ACCIDENTAL DISABILITY (DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	1616	25060	74	24659
45-49	1754	24663	28	25526
50-54	1022	24002	9	26753
55-59	685	23765	4	17582
60-64	846	25222	8	23268
65-69	640	23481	4	23013
70-74	324	20320	3	16434
75 & over	78	19437	0	—

SERVICE OR DISABILITY SURVIVORS (OF DECEASED PENSIONERS UNDER SELECTED OPTIONS)

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	—	—	6	10203
45-49	—	—	2	14580
50-54	—	—	6	14461
55-59	—	—	13	8610
60-64	—	—	37	9240
65-69	—	—	46	8447
70 & over	—	—	61	8734

NEW YORK CITY PENSION FUND -- SUBCHAPTER 2  
 BENEFICIARIES OF PENSIONERS KILLED  
 IN ACTUAL PERFORMANCE OF DUTY

WOMEN

AGE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
44 & under	49	13941
45-49	44	11603
50-54	34	9230
55-59	41	8298
60-64	35	8152
65-69	19	7323
70-74	13	7552
75 & over	6	6845

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 ANALYSIS OF PORTFOLIO YIELDS  
 JUNE 30, 1991 - 1990

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1991			1990		
	MARKET VALUE	YIELD ON MARKET VALUE	YIELD ON COST	MARKET VALUE	YIELD ON MARKET VALUE	YIELD ON COST
Securities purchased under agreements to resell:	\$7,145	50.4%	---	---	---	---
Other short-term investments	260,922	6	6%	579,273	5.7%	5.7%
Bonds:						
U.S. Government	1,997,980	10	10.0	2,093,137	9.7	9.9
Corporate	716,993	9.6	9.6	680,378	9.9	5.0
Other	64,102	11.8	11.9	73,945	9.1	9.3
International Investment Fund & Fixed Income	65,520	8.7	9	---	---	---
Mortgages	(1)	(1)	7.5	(1)	(1)	7.6
Equities	3,155,829	5.9	9.2	3,135,998	12.4	18.9
International Fund - Equities	314,135	(11.7)	(11.4)	---	---	---

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 ANALYSIS OF PORTFOLIO YIELDS  
 JUNE 30, 1989 - 1988

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1989				1988			
	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$ 56,372	8.4%	\$ 56,372	8.4%	\$ 35,144	4.1%	\$ 35,144	4.1%
Other short-term investments	258,363	9.4	258,363	9.4	210,247	6.8	210,247	6.8
Bonds:								
NYC and City Related	—	—	—	—	42,900	7.9	42,341	8.1
U.S. Government	1,924,879	8.1	1,861,512	8.2	1,802,436	7.4	1,842,697	7.3
Corporate	583,568	9.9	568,392	9.1	313,902	9.0	319,781	8.9
Other	62,951	2.5	60,823	2.5	104,180	8.4	141,731	8.3
Mortgages	(1)	(1)	970	9.7	(1)	(1)	1,161	-5.0
Equities	2,781,980	18.3	1,834,738	26.6	2,324,947	-5.3	1,673,355	-8.3

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2  
 ANALYSIS OF PORTFOLIO YIELDS  
 JUNE 30, 1987

(in thousands)

1987

INVESTMENT PORTFOLIO DESCRIPTION	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$ 80,510	5.8%	\$ 80,510	5.8%
Other short-term investments	224,262	7.2	224,262	7.2
Bonds:				
NYC and City Related	55,293	8.0	53,537	8.2
U.S. Government	1,664,249	8.8	1,693,104	9.0
Corporate	337,780	8.5	336,507	9.2
Other	102,602	5.2	104,369	5.5
Mortgages	(1)	(1)	2,646	4.5
Equities	2,464,856	25.9	1,515,021	41.4

(1) Market values are not readily determinable

NEW YORK CITY POLICE DEPARTMENT PENSION FUND - SUBCHAPTER 2  
 SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

DATE	AGE & SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS	
	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE
6-30-82	11,468	10,339	3,125	12,836	4,241	17,323
6-30-83	11,527	10,465	3,130	12,975	4,473	17,793
6-30-84	11,976	10,863	3,409	13,791	5,062	18,847
6-30-85	12,030	11,003	3,425	14,033	5,158	19,141
6-30-86	13,066	11,728	3,827	15,164	6,071	20,671
6-30-87	14,255	12,767	4,104	16,622	6,706	22,103
6-30-88	14,229	13,495	4,075	17,330	6,681	22,894
6-30-89	14,426	13,760	4,058	17,422	6,802	23,148
6-30-90	14,711	14,125	4,030	17,487	6,879	23,383
6-30-91	17,262	16,342	4,274	19,053	7,606	25,302