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, 1993

New York, New York

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, 1993
New York, New York

COMPONENT UNIT FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1993

Prepared By: Accounting Unit under the direction of:
Deputy Inspector Joseph F. Maccone - 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
Onew Police Plaza, New York, New York 10038

Board of Trustees

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

TABLE OF CONTENTS

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

INTRODUCTORY SECTION

PART I

FOR THE

FISCAL YEAR ENDED JUNE 30, 1993

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police Pension Fund, Subchapter 2

For its Component Unit Financial Report for the Fiscal Year Ended June 30, 1992

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 (CUFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

The City of New York

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

December 22, 1993

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, 1993, 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 auditor 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; and 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 national economy continues to be bleak and is showing resistance to economic recovery. The economic status of the State and City reflects a downward trend and also a negative impact on any financial improvements. During 1993 unemployment dropped and inflation dropped at a significant rate. This combination of declining unemployment and declining inflation may have built a foundation for economic growth.

Growth in National Investment and exports picked up in the last half of 1993 and are especially beneficial for the City's economy, which is highly dependent on these types of economic endeavors. The Police Pension Fund has begun developing a program of export loans to small business in the City. This type of loan program will stimulate the economy of the City and create additional jobs for its citizens. The City continued to avoid substantial tax increases for 1993.

The rising costs of health care, AIDS and crime continued to have an adverse effect on the daily living conditions on the people of the City of New York.

The philosophy of community policing has continued to grow as the dominant managerial response to the prevention of crime and civil disturbances in the City. Eight years of experience with our Community Police Officer Program (CPOP) has proven that community policing improves interactions with local communities and can solve some of their police-related problem.

Major Initiatives for the Year

New York City is among many cities in the nation that are facing economic problems. States are in a similar fiscal condition and therefore can offer little financial help. New York City is legally required to balance its budget and did so for fiscal years ended 1992 and 1993, overcoming the problems in the national and State economies. Revenues were $30.157 billion, $879 million more than expected. As a result, the city was able to make certain discretionary transfers towards fiscal year 1994 expenditures totalling $407 million, helping to balance that year's budget. As a result the city reported a surplus of $5.1 million for fiscal year 1993. The City and the Pension Fund retained the A-rating on its bonds from Standard and Poor's. During fiscal year 1993 there was a pension savings of $399 million resulting from investment of City Pension funds. The pension funds earned 14.7% in fiscal year 1993, well above the weighted average return assumption of 8.9%. Earnings more than the assumption saves the city a considerable amount of money through reduced contributions to the fund for future years. Excellent investment performance of our pension plans will save the city millions of dollars through reduced contributions in the future. Yields on investments range to 24 percent which are very good rates of return in today's market.

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 continued with 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 following table reflects increases and decreases in revenues and expenses for fiscal years 1993 and 1992 respectively. Amounts are in thousands.

Description	Amount 1993	Amount 1992	Net Increase/ (Decrease)
Member Contributions	$ (3,647)	$ 15,226	(123.9%)
Employer Contribution	448,767	421,322	6.5%
Total Contribution	445,120	436,548	1.9%
Interest Income	288,949	267,534	8.0%
Dividend Income	98,080	94,051	4.3%
Net realized and un-realized gain on investments	603,063	485,014	24.3%
Net investment income	990,092	846,599	16.9%
Total contributions and investment income	1,435,212	1,283,147	11.8%
Benefit payments and withdrawals	619,412	600,787	3.1%
Payments to Other Funds-Net	1,955	2,246	(12.9%)
Excess earnings to New York Police Department variable supplements fund	111,381	47,069	136.6%
Total benefit payments, withdrawals and net payments to other funds	732,748	650,102	12.7%

As a result net assets available for Pension Benefits increased from $7,775,165,000 in fiscal year 1992 to $8,477,629,000 in fiscal year 1993, reflecting a 9% increase.

The following are consultants for the various types of investments:

Fixed Income Advisors

Government
Fischer, Francis
Investment Advisors
Mellon Bronx Associates
Putman Companies
Wells Fargo

Mortgage
Bear Sterns
Miller, Anderson
Pimco

Corporate
T. Rowe Price
Bankers Trust

Foreign
Fiduciary Trust
Total Yankee

Equity Advisors
J & W Selligman
Lazard Freres
Oppenheimer Capital
Trust Co. of the West
Loomes Sayles
Equinox
Smith Barney
Fidelity Management

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 pension Benefit obligation as of 6-30-93 is equal to approximately $9,185 million. Net assets available for pension benefits as of 6-30-93 is equal to approximately $8,478 million. The unfunded pension benefit obligation as of 6-30-93 is equal to approximately $707 million. The unfunded pension benefit obligation as of 6-30-92 was equal to $1,040 million. The unfunded pension obligation decreased by about $333 million.

The Police Department has continued with community policing as its dominant operational philosophy with the goal of having police officers in every neighborhood and every street in the city. This method of policing should reduce crime in the city thus increasing the quality of life. A new mayor and comptroller have been elected to city government. It is anticipated that new leaders will bring new ideas and solutions to the many complex problems facing the City of New York and its citizens.

It is the aim of our investment advisors to provide safe and high rates of return for all our investments. Trustees review the performance of the investment advisors periodically in order that maximum returns can be realized. As custodian and investment manager of The Police Pension Fund, the Comptroller is responsible for the pension fund assets which are in excess of eight billion dollars. The investment policy is to minimize credit and market risks while maintaining a competitive yield on the portfolio. The comptroller continues to work with the Police Pension Fund to develop an innovative targeted investment program.

Financial Overview and Fund Structure

This report includes all funds of the Police Pension Fund Subchapter 2 which are 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 the annuity portion 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 contribution (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 ended June 30, 1987 through June 30, 1992. 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.

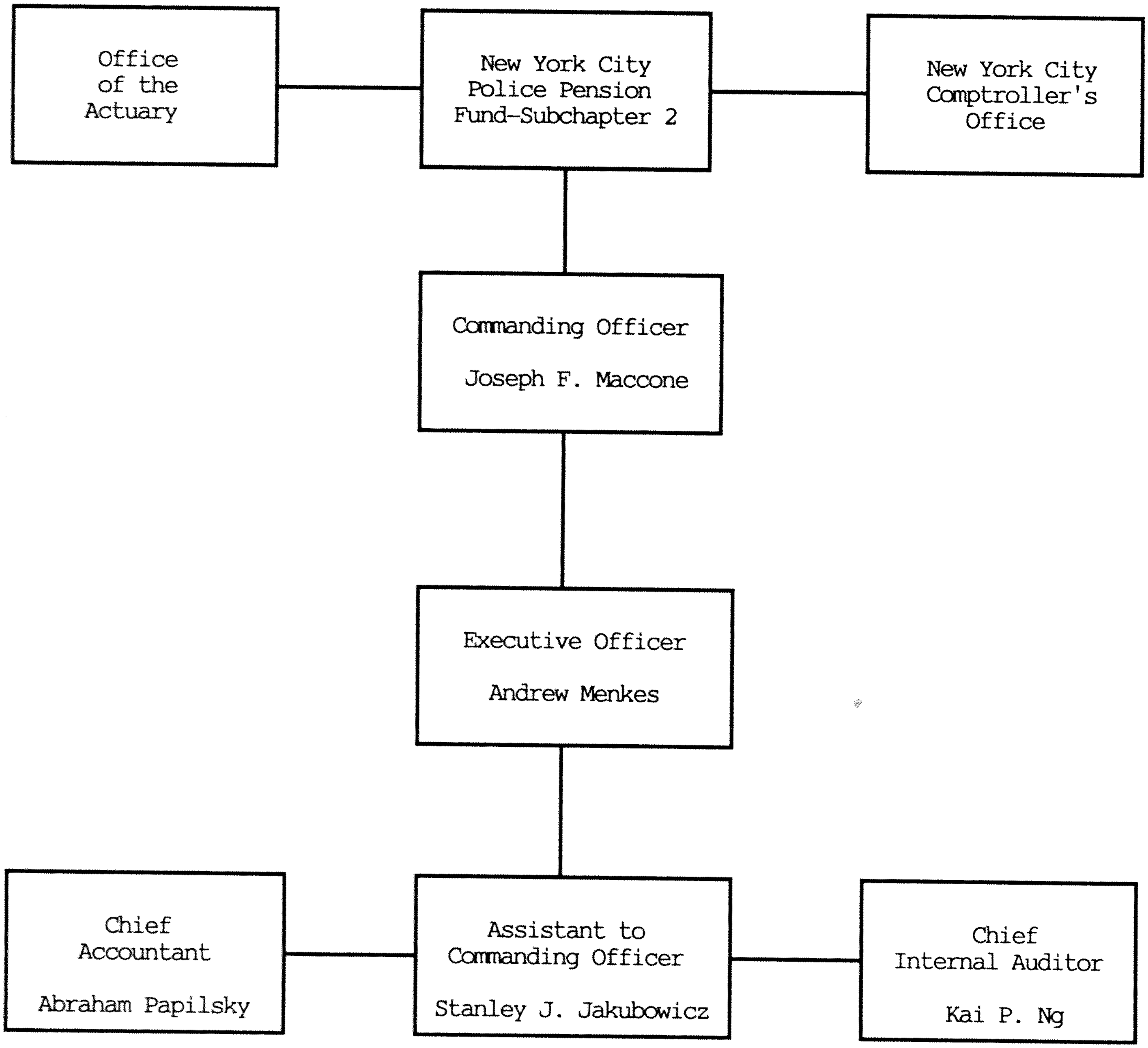
Respectfully submitted,

Joseph F. Maccone

Joseph F. Maccone
Deputy Inspector,
Commanding Officer,
Pension Section

JFM/vc

NEW YORK CITY POLICE PENSION FUND – SUBCHAPTER 2
ADMINISTRATIVE ORGANIZATION



NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

FINANCIAL SECTION

PART II

FOR THE

FISCAL YEAR ENDED JUNE 30, 1993

ERNST & YOUNG

■ 787 Seventh Avenue
New York, New York 10019

■ Phone 212 773 3000

Report of Independent Auditors

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

We have audited the accompanying statements of net assets available for pension benefits of the New York Police Department Pension Fund—Subchapter 2 (the "Plan") as of June 30, 1993 and 1992, and the related statements of changes in net assets available for pension benefits, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 1993 and 1992, and the changes in net assets available for pension benefits and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules 4 and 5 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 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management and presentation of the supplementary information. 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.

October 29, 1993

Ernst + Young

New York Police Department Pension Fund—Subchapter 2

Statements of Net Assets Available for Pension Benefits

	June 30 1993	June 30 1992
	(In Thousands)	
Assets		
Investments *(Notes 2 and 3):*		
Securities purchased under agreements to resell	**$ 23,865**	$ 38,825
U.S. Treasury Bills	**112,418**	–
Other short-term investments:		
Commercial paper	**31,891**	114,263
Short-term investment fund	**510,364**	400,923
Debt securities:		
U.S. Government	**2,172,809**	2,020,493
Corporate	**1,038,417**	874,036
International investment fund—fixed income	**63,000**	63,000
Mortgages	**11**	91
Foreign	**81,055**	75,068
Equity securities	**3,989,878**	3,578,209
International investment fund—equities	**475,395**	417,023
Total investments	**8,499,103**	7,581,931
Cash	**–**	–
Receivables for investment securities sold	**297,816**	114,714
Accrued interest and dividends receivable	**53,278**	49,672
Employer contribution receivable—long-term *(Note 8)*	**510,872**	524,204
Other assets	**4,988**	4,610
Total assets	**9,366,057**	8,275,131
Liabilities		
Accounts payable *(Note 2)*	**26,355**	21,972
Payables for investment securities purchased	**731,050**	415,472
Accrued benefits payable	**15,079**	15,453
Due to New York Police Department variable supplements fund *(Note 4)*	**115,944**	47,069
Total liabilities	**888,428**	499,966
Contingent liabilities *(Note 10)*		
Net assets available for pension benefits	**$ 8,477,629**	$ 7,775,165

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Statements of Changes in Net Assets Available for Pension Benefits

	Year ended June 30 1993	1992
	(In Thousands)	
Contributions *(Notes 5 and 8)*:		
Member contributions (net of loans to members)	**$ (3,647)**	$ 15,226
Employer contributions	**448,767**	421,322
Total contributions	**445,120**	436,548
Investment income:		
Interest income	**288,949**	267,534
Dividend income	**98,080**	94,051
Net realized and unrealized gain on investments *(Note 3)*	**603,063**	485,014
Net investment income	**990,092**	846,599
Total contributions and investment income	**1,435,212**	1,283,147
Benefit payments and withdrawals *(Note 1)*	**619,412**	600,787
Payments to other funds, net	**1,955**	2,246
Excess earnings to New York Police Department variable supplements fund *(Note 4)*	**111,381**	47,069
Total benefit payments, withdrawals and net payments to other funds	**732,748**	650,102
Increase in net assets available for pension benefits	**702,464**	633,045
Net assets available for pension benefits at beginning of year	**7,775,165**	7,142,120
Net assets available for pension benefits at end of year	**$ 8,477,629**	$ 7,775,165

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Statements of Cash Flows

	Year ended June 30 1993	1992
	(In Thousands)	
Cash flows from operating activities		
Increase in net assets available for pension benefits	$ **702,464**	$ 633,045
Adjustments to reconcile increase in net assets available for pension benefits to net cash (used in) provided by operating activities:		
Interest and dividend income	**(370,239)**	(345,248)
Decrease in employer contribution receivable—long-term	**13,331**	12,286
Increase in other assets	**(377)**	(708)
Amortization of premiums and discounts—net	**(13,184)**	(18,745)
Gain on sale of securities	**(260,828)**	(219,428)
Increase in unrealized appreciation of equity securities	**(342,235)**	(265,586)
Increase in receivables for investment securities sold	**(183,102)**	(87,226)
(Increase) decrease in accrued interest and dividends receivable	**(3,606)**	2,407
Increase in payables for investment securities purchased	**315,578**	269,068
Increase in accounts payable	**4,384**	21,972
Decrease in accrued benefits payable	**(373)**	(7,837)
Increase in due to New York Police Department variable supplements fund	**68,875**	47,069
Total adjustments	**(771,776)**	(591,976)
Net cash (used in) provided by operating activities	**(69,312)**	41,069
Cash flows from investing activities		
Proceeds on sale of securities	**19,411,213**	20,879,668
Payments for the purchase of securities	**(19,712,140)**	(21,387,946)
Interest and dividend income	**370,239**	345,248
Net cash provided by (used in) investing activities	**69,312**	(163,030)
Net decrease in cash	**–**	(121,961)
Cash at beginning of year	**–**	121,961
Cash at end of year	$ **–**	$ –

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements

June 30, 1993

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.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

1. Plan Description (continued)

At June 30, 1993 and 1992, the Plan's membership consisted of:

	1993	1992
Retirees and beneficiaries currently receiving benefits	**30,342**	29,970
Terminated vested members not yet receiving benefits	**34**	52
Total	**30,376**	30,022
Current employees:		
Vested	**4,565**	5,192
Nonvested	**23,870**	22,472
Total	**28,435**	27,664

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 an 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 increment as described above under service retirement for years of service in excess of the 20 or 25 year minimum plus an annuity based on the member's contributions with accumulated interest and the amount accumulated under the ITHP program.

1. Plan Description (continued)

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.

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.

2. Summary of Significant Accounting Policies and Plan Asset Matters (continued)

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.

Related Parties

Administrative expenses ($11,330,000 in fiscal year 1993 and $9,840,000 in fiscal year 1992) 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, 1993 and 1992; 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.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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.

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 Al or Pl 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 insured by the Federal Deposit Insurance Corporation for up to $100,000 per pension member and are therefore fully insured.

Investments of the Plan are categorized by level of credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the entity's name.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

Investments owned by the Plan at June 30, 1993 and 1992 are summarized as follows (in thousands):

	1993		1992	
	Total Carrying Amount	**Market Value**	**Total Carrying Amount**	**Market Value**
Categorized (A)				
Repurchase agreements	**$ 23,865**	**$ 23,865**	$ 38,825	$ 38,825
Commercial paper	**31,891**	**31,891**	114,263	114,263
U.S. Government securities	**2,172,809**	**2,266,824**	2,020,493	2,089,021
U.S. Treasury Bills	**112,418**	**112,418**	–	–
Corporate bonds	**1,038,417**	**1,064,406**	874,036	893,931
Equity securities (cost was $2,320,976 and $2,197,531, respectively	**3,989,878**	**3,989,878**	3,578,209	3,578,209
Foreign debt securities	**81,055**	**83,222**	75,068	76,699
	7,450,333	**7,572,504**	6,700,894	6,790,948
Noncategorized (B)				
Short-term investment fund	**510,364**	**510,364**	400,923	400,923
Mortgages	**11**	**11**	91	91
International investment fund—fixed income	**63,000**	**92,610**	63,000	83,223
International investment fund—equities (cost was $425,917 and $421,554, respectively)	**475,395**	**475,395**	417,023	417,023
	$ 8,499,103	**$ 8,650,884**	$ 7,581,931	$ 7,692,208

(A)—All categorized investments are Category 1.
(B)—These securities are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

3. Deposits and Investments (continued)

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

	1993	1992
Realized gain:		
Proceeds from sales and redemptions	**$ 19,411,213**	$ 20,879,668
Carrying value of securities	**19,150,385**	20,660,240
	260,828	219,428
Increase in unrealized appreciation of equity securities	**342,235**	265,586
Net realized and unrealized gain	**$ 603,063**	$ 485,014

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, 1993.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

4. Funding Status and Progress (continued)

The more significant assumptions used to calculate the PBO at June 30, 1993 and 1992 are as follows:

Assumed rate of return on investments	8.5% per annum.
Post-retirement mortality	Tables based on current experience.
Active service—withdrawal, death, disability	Tables based on current experience.
Retirement	Tables 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 increases plus assumed general wage increases of 5.5% per year.

These actuarial assumptions are the same as those used to determine employer contributions to the Plan.

In particular, the investment return assumption used for determining employer contributions to the Plan are enacted by the New York State Legislature upon the recommendations of the Board of Trustees and the Actuary, and the rate shown is currently in use for determining employer contributions to the Plan for fiscal years 1991 through 1995.

All actuarial assumptions used to determine employer contributions to the Plan, including the investment return and general wage increase assumptions, are scheduled for review during fiscal year 1995. These financial statements present PBOs for the Plan based upon the same actuarial assumptions that are used to determine employer contributions. Of course, PBOs (e.g., funded ratios), are highly dependent upon and reflective of the actuarial assumptions employed.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

4. Funding Status and Progress (continued)

The excess of the pension benefit obligation over the net assets available for benefits (the unfunded PBO) based on the asset valuation assumptions above has been calculated by the Plan's actuary as of June 30, 1993 and 1992 and amounted to:

	1993	**1992**
	(In millions)	
Pension benefit obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested members not yet receiving benefits	**$ 5,545**	$ 5,334
Current employees:		
Employee contributions with interest	**404**	385
Employer—financed vested	**1,206**	1,291
Employer—financed nonvested	**2,030**	1,805
Total pension benefit obligations	**9,185**	8,815
Net assets available for benefits	**8,478**	7,775
Unfunded pension benefit obligations	**$ 707**	$ 1,040

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, and should be considered with reference to the actuarial assumptions used.

The same actuarial assumptions that are used to calculate the employer contributions are used to determine the PBO.

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, limited to the unfunded Accrued Benefit Obligation ("ABO") for the Police Officers' Variable Supplements Fund ("POVSF") and for the Police Superior Officers' Variable Supplements Fund ("PSOVSF") beginning June 30, 1993. The excess earnings are defined as the amount by which earnings on equity investments exceed what the earnings would have been had such funds been invested at a yield comparable to that available from fixed income securities less any cumulative deficiencies. For fiscal year 1993, there were excess earnings on equity investments of approximately $111.4 million payable to the PSOVSF, and there were excess earnings for the POVSF but they were limited by the POVSF unfunded ABO and accordingly no

4. Funding Status and Progress (continued)

transfer was made to the POVSF. For fiscal year 1992 there were excess earnings on equity investments payable to the PSOVSF of approximately $47.2 million, and there was a cumulative excess earnings deficiency for the POVSF and accordingly no transfer was made.

Chapter 247 of the Laws of 1988 modified the method for determining the amount of any deficit for the POVSF. It also provided that interest will accrue on the cumulative deficit attributable to the POVSF until subsequent favorable returns on stocks eliminate any cumulative deficit. These changes serve to reduce the amount of the excess earnings payable from the Plan.

Chapter 479 of the Laws of 1993 modified the method for determining the amount of any deficit for the PSOVSF. It also provided that interest will accrue on the cumulative deficit attributable to the PSOVSF until subsequent favorable returns on stocks eliminate any cumulative deficit. These changes serve to reduce the amount of the excess earnings payable from the Plan.

The excess earnings payable from the Plan to the Variable Supplements Funds as of June 30, 1993 and June 30, 1992 are as follows:

	1993	**1992**
	(In millions)	
Police Superior Officers	**$ 111.4**	$ 47.2
Police Officers	**–**	–
Total	**$ 111.4**	$ 47.2

The amount of excess earnings transferable to POVSF and PSOVSF are limited to their unfunded accumulated benefit obligation.

5. Contribution Required and Contribution Made

The financial objective of the Plan is to fund members' 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.

5. Contribution Required and Contribution Made (continued)

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.

Unfunded actuarial accrued liabilities are amortized as follows for June 30, 1993 and June 30, 1992: The Unfunded Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 are being amortized over 20 years using schedules of payments for the combined UAL and BSL combined, 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 component is being amortized using level payments over 20 years from June 30, 1990.

The actuarial asset valuation method utilized to determine the fiscal year 1992 employer contributions differed from that used to determine the fiscal year 1991 employer contributions. The fiscal year 1992 employer contribution decreased by approximately $40 million compared to what it would have been utilizing the former actuarial asset valuation method. The change in actuarial asset valuation method was adopted to reflect more currently the market fluctuations of investments held by the Plan.

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 $462.1 million and $432.2 million for fiscal years ended June 30, 1993 and 1992, respectively. Employer contributions were equal to the actuary's recommendation.

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

5. Contribution Required and Contribution Made (continued)

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 $(3.6) million and $15.2 million for the years ended June 30, 1993 and 1992, respectively.

Employer contributions, exclusive of employer contribution receivable—long-term, as a percentage of current-year covered payroll were 32.5% and 31.6% for fiscal years ended June 30, 1993 and 1992, respectively. Employee contributions as a percentage of current-year covered payroll were (0.26)% and 1.1% at June 30, 1993 and 1992, respectively.

The employer contribution for normal cost was $310.3 million (22.5% of current covered payroll) and for amortization of actuarial accrued liability, including the amount to fund the employer contribution receivable—long-term, was $151.8 million (11.0% of current covered payroll) for fiscal year ended June 30, 1993; the contribution for normal cost was $279.8 million (21.0% of current covered payroll) and for amortization of actuarial accrued liability, including the amount to fund the employer contribution receivable—long-term, was $152.4 million (11.4% of current covered payroll) for the fiscal year ended June 30, 1992. Employer contributions were equal to the Actuary's recommendations.

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, 1993 and 1992 were approximately $404.4 million and $385.0 million, respectively.

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.

5. Contribution Required and Contribution Made (continued)

For the June 30, 1992 and 1991 actuarial valuation to calculate the fiscal year 1993 and fiscal year 1992 employer contributions, the actuarial asset valuation method recognized expected investment return immediately and phases in investment return greater or less than expected return over a period of five years. To implement this new method, a "market value restart" was utilized to reset the actuarial asset value to market value as of June 30, 1991.

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.

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 ("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

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

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 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.

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 provided that the accrued pension contributions receivable from the City at June 30, 1980, as adjusted, must be amortized over 40 years beginning in fiscal year 1982, with interest at 7.5% (8% beginning in fiscal year 1983, 8.25% beginning in fiscal year 1989 and 8.5% beginning in fiscal year 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 year 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.

10. Contingent Liabilities (continued)

Other Matters

During 1993 and 1992 certain events took place which, in the opinion of Plan Management, could have the effect of increasing obligations of the Plan to members and beneficiaries. The effect of such events has not been fully quantified. It is the opinion of Plan Management that such developments would not have a material effect on net assets available for pension benefits or changes in net assets available for pension benefits.

a) New York State Legislation

Chapter 479 of the Laws of 1993 which was signed on July 26, 1993 institutes a "defined benefit" schedule of payments for beneficiaries of the Police Superior Officers' Variable Supplements Fund.

a) Actuarial Audit

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the Plan are conducted every two years. The independent actuarial auditor has not yet completed the report on the study currently underway.

Schedule 1

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited)

(In Thousands)

Fiscal Year Ended June 30	(1) Net Assets Available for Benefits *(Note A)*	(2) Pension Benefit Obligation *(Notes B & C)*	(3) Percentage Funded (1)/(2) *(Note E)*	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll *(Note D)*	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4)/(5) *(Note E)*
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	230.8
1988	5,438,723	7,038,428	77.3	1,599,705	1,198,145	133.5
1989	6,177,969	7,509,260	82.3	1,331,291	1,184,042	112.4
1990	6,783,210	7,893,983	85.9	1,110,773	1,241,938	89.4
1991	7,142,120	8,290,195	86.2	1,148,075	1,295,023	88.7
1992	7,775,165	8,814,780	88.2	1,039,615	1,332,598	78.0
1993	8,477,629	9,185,177	92.3	707,548	1,379,928	51.3

Schedule 1 (continued)

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited) (continued)

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

(Note B)—The pension benefit obligation ("PBO") as of June 30, 1993, 1992, 1991, 1990, 1989 and 1988 is not entirely comparable to that shown for the prior four 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.

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

Schedule 1 (continued)

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited) (continued)

(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 unfunded percentage or the larger this overfunded percentage, the stronger the plan.

Schedule 2

New York Police Department Pension Fund—Subchapter 2

Revenue by Source (Unaudited)

(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
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
1992	15,226	421,322	846,599	–	1,283,147	31.6
1993	(3,647)	448,767	990,092	–	1,435,212	32.5

Schedule 3

New York Police Department Pension Fund—Subchapter 2

Expense by Type (Unaudited)

(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
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
1992	600,424	357	6	49,315	650,102	31.6
1993	618,303	1,104	5	113,336	732,748	32.5

Schedule 4

New York Police Department Pension Fund—Subchapter 2

Cash Receipts and Disbursements

Year ended June 30, 1993

(In Thousands)

Cash balance July 1, 1992	$ –
Add receipts:	
Member contributions	(4,024)
Employer contributions	462,098
Interest and dividends	370,239
Investments redeemed	19,150,385
Payable for investments purchased	315,578
Realized gain	260,828
Total cash receipts	20,555,104
Total cash available	20,555,104
Less disbursements:	
Transfers to Police Superior Officer Variable Supplement Fund	42,506
Benefit payments	614,297
Investments purchased	19,712,140
Transfers to other Police Department funds	1,955
Refunds	1,104
Receivable for investment securities sold	183,102
Total cash disbursements	20,555,104
Cash balance June 30, 1993	$ –

Schedule 5

New York Police Department Pension Fund—Subchapter 2

Investment Summary

Year ended June 30, 1993

(In Thousands)

Type of Investment	June 30, 1992 Book Value	June 30, 1992 Market Value	Purchases	Sales and Redemptions	Net Amortization of Premium and Discount	June 30, 1993 Book Value	June 30, 1993 Market Value	% of Total Market Value
Commercial paper	$ 114,263	$ 114,263	$ 1,068,260	$ 1,150,632	$ –	$ 31,891	$ 31,891	0.37%
Treasury Bills			194,314	81,896	–	112,418	112,418	1.30
Repurchase agreements	38,825	38,825	7,186,255	7,201,215	–	23,865	23,865	0.28
Short-term investments fund	400,923	400,923	2,864,000	2,754,559	–	510,364	510,364	5.90
Total short-term investments	554,011	554,011	11,312,829	11,188,302	–	678,538	678,538	7.85
U.S. Government debt securities	2,020,493	2,089,021	6,438,483	6,281,316	(4,851)	2,172,809	2,266,824	26.20
Corporate debt securities	874,036	893,931	802,279	656,214	18,316	1,038,417	1,064,406	12.30
International investment fund—fixed income	63,000	83,223	–	–	–	63,000	92,610	1.07
Mortgages	91	91	–	80	–	11	11	–
Foreign debt securities	75,068	76,699	289,248	282,980	(281)	81,055	83,222	0.96
Total debt securities	3,032,688	3,142,965	7,530,010	7,220,590	13,184	3,355,292	3,507,073	40.53
Equity securities	2,197,531	3,578,209	864,938	741,493	–	2,320,976	3,989,878	46.12
International investment fund—equities	421,554	417,023	4,363	–	–	425,917	475,395	5.50
Total equity securities	2,619,085	3,995,232	869,301	741,493	–	2,746,893	4,465,273	51.62
Total investments	$6,205,784	$ 7,692,208	$ 19,712,140	$ 19,150,385	$13,184	$6,780,723	$ 8,650,884	100.00%

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

ACTUARIAL SECTION
PART III

FOR THE
FISCAL YEAR ENDED JUNE 30, 1993

The City of New York

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 30, 1993

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 The Component Unit Financial Report For The Fiscal Year Ended June 30, 1993

Dear Members:

The financial objective of the New York City Police Department, Subchapter Two Pension Fund is to fund members' retirement benefits during their active service and to establish employer normal contribution rates which, expressed as a percentage of active member annualized covered payroll, will remain approximately level over the future working lifetimes of those active members. Unfunded Actuarial Accrued Liabilities ("UAL") resulting from changes in benefits or actuarial assumptions are funded by level dollar payments over periods not exceeding 20 years. Progress is being made toward realization of the financial objective.

Employer contributions to the Pension Fund are made on a statutory basis consistent with generally accepted actuarial principles. Actuarial valuations are performed annually as of June 30.

The actuarial cost method used to determine Fiscal Year 1993 employer contributions is the Frozen Entry Age Actuarial Cost Method.

The Actuarial Asset Valuation Method recognizes expected investment return immediately and phases in investment return greater or less than expected return over a period of five years.

A summary of the benefits valued is provided elsewhere in this report.

Members Of The Board Of Trustees
December 30, 1993
Page 2

Census 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.

The actuarial interest rate assumption was recommended by the Actuary, adopted by the Board of Trustees and enacted into law by the New York State legislature effective Fiscal Year 1991. Based on the results of an actuarial audit through June 30, 1987 and combined with the results of the prior audit, certain changes in the demographic assumptions and methods were recommended by the Actuary and adopted by the Board of Trustees effective Fiscal Year 1989.

A more recent investigation of the adequacy of the assumptions used to calculate the actuarial reserves was completed on December 2, 1992 by William Mercer, Incorporated. The details of their findings may be found in their "Final Report on the Experience Study of the City of New York Retirement Systems". In their report they recommended that no change is to be made to any of the assumptions at this time. However, they did recommend that certain economic and demographic assumptions be closely monitored.

All actuarial assumptions used to determine employer contributions to the Pension Fund, including the investment return and general wage increase assumptions, are scheduled for periodic review during Fiscal Year 1995.

Various 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, 1993.

Respectfully Submitted,

Robert C. North, Jr., F.S.A., E.A.
Chief Actuary

RCN/bs

4306:PC#2:WP/bs

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

(1) The assumed investment return rate is 8.50% per annum.

(2) The mortality tables for service and disability pensioners were developed from an experience study of the Funds' pensioners. Sample probabilities are shown in Table 1.

(3) Retirement Tables are used to predict retirements and deaths after eligibility for service benefits. Sample probabilities are shown in Table 2.

(4) Active Service tables are used to predict various withdrawals from active service. Sample probabilities are shown in Table 3.

(5) Salary Scales are used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The salary scale includes an assumed general 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 Frozen Entry Age Actuarial Cost Method of funding is utilized by the Plan's actuary to calculate the contributions 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 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 provided that the Unfunded Accrued Liability (UAL) and the Balance Sheet Liability (BSL) as of June 30, 1990 be amortized over 20 years with non-level payments for the first five years. The schedule of payments for the combined UAL and BSL components for the first five years is to be comparable in pattern to the schedule of payments that was in effect under the amortization schedules immediately prior to the change in funding provisions. The balance of the combined UAL and BSL components at the end of five years is to be amortized using level payments over the remaining 15 years. The BSL component is to be amortized using level payments over 20 years from June 30, 1990.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Continued)

(8) The Actuarial Asset Valuation Method 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 to 120% or raised to 80% of the Market Value, respectively.

Beginning with the June 30, 1991 actuarial valuation (used to calculate the Fiscal Year 1992 employer contribution), the Actuarial Asset Valuation Method recognizes expected investment return immediately and phases in investment return greater or less than expected return over five years. To implement this new method, "Market Value Restart" was used which reset the Actuarial Asset Value to Market Value as of June 30, 1991 and phases in return greater or less than expected rates of return as they arise over the next five years.

(9) The demographic assumptions described herein were adopted effective June 30, 1988. These assumptions were based on an experience study over 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. The assumed investment return rate was adopted effective June 30, 1990. The actuarial cost method was adopted effective June 30, 1990. The actuarial asset valuation method was adopted effective June 30, 1991.

(10) Male rates are used for both males and females, since the number of female members is not significant.

(11) The salary data was adjusted to be consistent with collective bargaining agreements estimated to be achieved. The salary data was also adjusted to reflect overtime earnings by an assumed overtime rate of 4%.

(12) In calculating the liability for active members, it is assumed that 82% of the benefits are being funded by employer contributions (the remainder being funded by employee contributions).

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Table 1

Deaths Among Service and Disability Pensioners

Percent of Pensioners Dying Within Next Year

Age	Service Pensioners	Disability Pensioners
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

	Service Retirements Years of Service Since Eligibility					
Age	0-1	1-2	More than 2	Accident Disability Retirements	Ordinary Disability Retirements	Deaths
40	38.0000%	---	---	2.3262%	.9719%	.1387%
45	35.0000	15.0000%	10.0000%	2.4215	1.1253	.2426
50	30.0000	15.0000	8.0000	2.5175	1.7789	.3899
55	20.0000	10.0000	7.0000	3.1928	3.2860	.5662
60	20.0000	10.0000	7.0000	4.3876	5.8335	.7687
63	85.5450	85.5450	85.5450	5.3702	8.1797	.9051

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Table 3

Withdrawals from Active Service before Eligibility for Service Benefits

Percent of Active Members Separating Within Next Year

Age	Withdrawal	Accidental Death	Ordinary Death	Accidental Disability	Ordinary Disability
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

Age	Assumed Annual Percentage Increases Within Next Year
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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

TREND OF ECONOMIC ASSUMPTIONS

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

Fiscal Year	Assumed Rate of Return on Investments	Merit and Promotion Increases Plus an Assumed General Wage Increase Per Year of
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
1992	8.50	5.5
1993	8.50	5.5

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER*	ANNUAL** PAYROLL	ANNUAL AVERAGE PAY	% INCREASE IN AVERAGE PAY
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	1,303,588,785	47,632	(0.6)
6-30-92	27,249	1,332,598,223	48,904	2.7
6-30-93	28,166	1,379,927,841	48,993	0.2

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
YEAR ENDED	NUMBER(1)	ANNUAL ALLOWANCES	NUMBER(2)	ANNUAL ALLOWANCES	NUMBER	ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
6-30-84	1,614	$32,454,286	237	$3,112,758	22,251	$303,520,944	10.7	$13,641
6-30-85	1,146	26,555,157	257	3,505,480	23,140	326,570,621	7.6	14,113
6-30-86	1,507	41,594,530	304	4,290,352	24,343	363,874,799	11.4	14,948
6-30-87	1,536	49,927,245	319	4,768,412	25,560	409,033,632	12.4	16,003
6-30-88	1,247	47,650,374	347	5,537,773	26,460	451,146,233	10.3	17,050
6-30-89	1,290	31,356,392	356	6,069,800	27,394	476,432,825	5.6	17,392
6-30-90	1,735	36,242,327	403	7,008,976	28,726	505,666,176	6.1	17,603
6-30-91	1,355(3)	63,565,988	524(4)	9,223,972	29,557	560,008,192	10.8	18,947
6-30-92	885(3)	44,507,805	472(4)	8,942,984	29,970	595,573,013	6.4	19,872
6-30-93	998(3)	45,172,785	626(4)	12,439,872	30,342	628,305,926	5.5	20,707

(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 DEPARTMENT, SUBCHAPTER TWO PENSION FUND

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS

(SOLVENCY TEST)
(in thousands of dollars)

ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

VALUATION DATE	ACCUMULATED MEMBER CONTRIBUTIONS (A)	CURRENT RETIRANTS AND BENEFICIARIES (B)	TERMINATED VESTED PARTICIPANTS (C)	ACTIVE MEMBERS' EMPLOYER FINANCED PORTIONS (D)	NET ASSETS AVAILABLE FOR BENEFITS (E)	PERCENTAGE OF ACTUARIAL VALUE COVERED BY NET ASSETS AVAILABLE FOR BENEFITS[1]			
6/30/84	$101,480	$2,778,331	$23,000	$2,304,431	$3,571,890	100%	100%	100%	29.0%
6/30/85	118,509	2,965,484	29,278	2,499,708	4,161,276	100	100	100	41.9
6/30/86	152,126	3,478,530	26,663	3,511,832	4,670,010	100	100	100	28.8
6/30/87	222,485	3,844,596	24,092	3,678,334	5,308,189	100	100	100	33.1
6/30/88[2]	270,000	4,142,503	18,100	2,607,825	5,438,723	100	100	100	38.7
6/30/89[3]	294,000	4,352,964	10,238	2,852,058	6,177,969	100	100	100	53.3
6/30/90	320,000	4,614,605	6,993	2,952,385	6,783,210	100	100	100	62.4
6/30/91[4]	351,555	5,014,214	5,656	2,918,770	7,142,120	100	100	100	60.7
6/30/92	384,956	5,327,135	6,923	3,095,766	7,775,165	100	100	100	66.4
6/30/93	404,412	5,539,581	5,116	3,236,068	8,477,629	100	100	100	78.1

(1) For a pension system receiving actuarially determined contribution amounts, the total of actuarial values (A), (B) and (C) should generally be fully covered by assets, i.e. the first three percentage columns should be 100% and the portion of the actuarial value (D) covered by assets should increase over time.

(2) The method of calculating the actuarial present value of credited projected benefits for active members was revised as of June 30, 1988. The revised method pro-rated the projected benefit using service to valuation date as required by GASB Statement No. 5. The former method used the accrued benefit based on the plan's benefit formula as of the valuation date.

(3) Effective June 30, 1989 the actuarial assumptions for investment return rate, mortality, turnover and retirement were changed.

(4) Effective June 30, 1991 the actuarial assumption for investment return rate changed.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF RECOMMENDED VS. ACTUAL CONTRIBUTIONS
(in thousands)

FISCAL YEAR ENDED	ACTUAL EMPLOYER CONTRIBUTIONS*	ACTUARY'S RECOMMENDED CONTRIBUTIONS	EMPLOYER RATES OF CONTRIBUTION**
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	477,397	477,397	40.319
6-30-91	443,582	443,582	35.717
6-30-92	432,223	432,223	33.156
6-30-93	462,098	462,098	34.676

* Represents contributions received on a cash basis, excluding any adjustments for delayed payments. Contributions on the accrual basis are shown in the financial statements and "Revenue by Source".

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

STATEMENT OF PENSION BENEFIT OBLIGATION
(in thousands)

The excess of the pension benefit obligation ("PBO") over the net assets available for benefits has been calculated by the Plan's actuary as of June 30, 1993 and 1992 and amounted to:

ITEM	1993 (Millions)	1992 (Millions)
Pension benefit obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested members not yet receiving benefits	$ 5,545	$ 5,334
Current employees:		
Employee contributions with interest	404	385
Employer-financed vested	1,206	1,291
Employer-financed nonvested	2,030	1,805
Total pension benefit obligation	$ 9,185	$ 8,815
Net assets available for benefits	$ 8,478	$ 7,775
Unfunded pension benefit obligation	$ 707	$ 1,040

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, and should be considered with reference to the actuarial assumptions used. The same actuarial assumptions used to calculate the employer contributions are used to determine the PBO.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

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

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

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. The New York Police Department maintains the Police Officers' Variable Supplements Funds (POVSF) and the Police Superior Officers' Variable Supplements Funds (PSOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 2 of the Administrative Code of the City of New York.

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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Upon retirement after having become eligible for service retirement 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 ITHP which is the actuarial equivalent of the reserve for ITHP.

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 before 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 ITHP, as well as an annuity which is the amount which can be purchased with the member's accumulated deductions.

IV. ORDINARY DEATH BENEFIT

Upon the death of a member in active service from causes other than accident in the 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 ITHP, 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

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 ITHP 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 for life, or if there is no widow, to a child, or children until the attainment of age 18 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/her 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 at 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 had the member not resigned. Should a member who elected to receive a vested retirement allowance die during the period of deferment, the benefit is the accumulated deductions.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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 until remarriage, 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.

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

Supplemental Retirement Allowances are payable during the life of the member and spouse, 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.

Supplemental Retirement Allowances are payable to members who retired prior to calendar year 1983 and either retired for disability or attained age 62. The benefit is equal to a percentage, depending on the calendar year of retirement, of the first $10,500 of the retirement allowance entitled had the member not elected any optional forms of benefit.

The benefit to spouses is equal to one-half the benefit that the pensioner would be receiving if living.

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 joined prior to July 1, 1973, a cash refund allowance under which reduced payments will be made for the life of the member 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 joined after June 30, 1973, this option is only available with respect to the annuity.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

(b) With respect to members who join or joined after June 30, 1973, a ten year (five year) certain and life thereafter allowance under which reduced payments will be made for the life of the member with a provision that, in case of death within ten (five) years of retirement, the benefit 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 for the life of the member with a provision that at the death of the member the same payments or one-half of such payments shall be continued for the life of such other person as the member shall have designated.

(d) Such other form of benefit which is the actuarial equivalent of the basic benefit 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 for the life of the member 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 DEPARTMENT, SUBCHAPTER TWO PENSION FUND

CONTRIBUTIONS

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

I. EMPLOYEE CONTRIBUTIONS

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.

II. EMPLOYER CONTRIBUTIONS

The frozen entry age actuarial cost method of funding is utilized by the Plan's actuary to calculate the contribution from the employer.

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 $462,097,748 for the Fiscal Year ended June 30, 1993.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

STATISTICAL SECTION

PART IV

FOR THE

FISCAL YEAR ENDED JUNE 30, 1993

NEW YORK CITY 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
06/30/84	$295,224	$7,033	$1,147	$1,855	$305,259
06/30/85	323,003	7,992	2,663	1,944	335,602
06/30/86	358,909	10,836	2,004	2,059	373,808
06/30/87	393,734	9,787	2,788	2,119	408,428
06/30/88	429,503	6,031	2,275	2,247	440,056
06/30/89	476,331	9,707	2,322	2,328	490,688
06/30/90	515,693	8,282	2,070	2,458	528,503
06/30/91	556,232	15,500	2,481	2,690	576,903
06/30/92	589,091	5,544	3,003	2,785	600,423
06/30/93	608,515	2,962	4,008	2,818	618,303

NEW YORK CITY PENSION FUND - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE AND BENEFIT
JUNE 30, 1993

AGE AND SERVICE RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & UNDER	408	$28,982	9	$27,695
45-49	1,871	24,883	16	27,691
50-54	3,463	22,010	37	23,911
55-59	2,553	18,493	30	19,826
60-64	2,446	16,127	32	17,698
65-69	2,646	13,748	34	11,115
70-74	2,326	11,643	32	11,399
75 & OVER	1,457	11,842	30	10,898

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & UNDER	234	$14,018	47	$16,864
45-49	492	12,870	15	14,323
50-54	643	12,968	14	15,210
55-59	392	18,535	17	11,243
60-64	635	28,574	10	13,357
65-69	876	27,798	10	21,773
70-74	593	24,266	17	15,982
75 & OVER	280	20,760	7	23,052

NEW YORK CITY PENSION FUND - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1993

ACCIDENTAL DISABILITY (DUTY) RETIREMENT

AGE	MEN NUMBER OF RETIRANTS	MEN AVERAGE ANNUAL ALLOWANCE	WOMEN NUMBER OF RETIRANTS	WOMEN AVERAGE ANNUAL ALLOWANCE
44 & UNDER	1,407	$31,749	145	$32,300
45-49	1,609	26,969	39	28,415
50-54	1,747	26,678	22	32,651
55-59	886	27,152	14	27,935
60-64	777	28,814	3	17,079
65-69	826	26,841	10	28,088
70-74	485	22,612	--	--
75 & OVER	205	19,617	3	16,434

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

AGE	MEN NUMBER OF BENEFICIARIES	MEN AVERAGE ANNUAL ALLOWANCE	WOMEN NUMBER OF BENEFICIARIES	WOMEN AVERAGE ANNUAL ALLOWANCE
44 & UNDER	2	$20,364	8	$13,940
45-49	--	--	6	17,883
50-54	--	--	6	17,230
55-59	--	--	13	13,520
60-64	--	--	29	12,220
65-69	--	--	51	10,202
70 & OVER	--	--	117	8,546

NEW YORK CITY PENSION FUND - SUBCHAPTER 2
BENEFICIARIES OF PENSIONERS KILLED
IN ACTUAL PERFORMANCE OF DUTY
JUNE 30, 1993

WOMEN

AGE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
44 & UNDER	41	$17,656
45-49	39	13,513
50-54	48	13,073
55-59	30	9,787
60-64	45	8,322
65-69	27	7,571
70-74	19	8,124
75 & OVER	11	6,499

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

(in thousands)

¹NVESTMENT ORTFOLIO ¹ESCRIPTION	1991 MARKET VALUE	1991 YIELD ON MARKET VALUE	1991 COST	1991 YIELD ON COST	1990 MARKET VALUE	1990 YIELD ON MARKET VALUE	1990 COST	1990 YIELD ON COST
ecurities purchased under greements to resell:	$7,145	50.4%	$7,145	50.4%	--	--	--	--
reasury Bills	--	--	--	--	--	--	--	--
ommercial Paper	84,287	3.0	84,287	3.0	185,367	5.5	185,367	5.5
hort Term Investment fund	176,635	3.0	176,635	3.0	393,906	5.8	393,906	5.8
ONDS:								
.S. Government	$1,997,980	10.0	$1,988,675	10.0	$2,093,137	9.7	$2,083,963	9.9
orporate	716,993	9.6	715,445	9.6	680,378	9.9	680,367	5.0
ther: Foreign	64,102	11.8	64,173	11.9	73,945	9.1	73,544	9.3
nternational Investment und & Fixed Income	65,520	8.7	63,000	9.0	--	--	--	--
ortgages	569	7.5	569	7.5	773	7.6	773	7.6
quities	3,155,829	5.9	2,026,739	9.2	3,135,998	12.4	2,044,120	18.9
nternational Fund - Equities	314,135	(11.7)	332,663.0	(11.4)	--	--	--	--

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ANALYSIS OF PORTFOLIO YIELDS
JUNE 30, 1993 - 1992

(in thousands)

ɪVESTMENT ƆRTFOLIO ESCRIPTION	1993 MARKET VALUE	1993 YIELD ON MARKET VALUE	1993 COST	1993 YIELD ON COST	1992 MARKET VALUE	1992 YIELD ON MARKET VALUE	1992 COST	1992 YIELD ON COST
ɛcurities purchased under ʒreements to resell:	$23,865	3.1%	$23,865	3.1%	$38,825	7.4%	$38,825	7.4%
reasury Bills	112,418	2.1	112,418	2.1	--	--	--	--
ommercial Paper	31,891	2.2	31,891	2.2	114,263	5.6	114,263	5.6
hort Term Investment fund	510,364	4.5	510,364	4.5	400,923	8.2	400,923	8.2
ONDS:								
.S. Government	$2,266,824	11.0	$2,172,809	11.5	$2,089,021	11.9	$2,020,493	12.2
orporate	1,064,406	11.5	1,038,417	11.8	893,931	11.6	874,036	11.8
ther: Foreign	83,222	12.4	81,055	12.8	76,699	14.3	75,068	14.5
ıternational Investment und & Fixed Income	92,610	5.5	63,000	6.8	83,223	5.2	63,000	6.2
lortgages	11	7.2	11	7.2	91	7.4	91	7.4
quities	3,989,878	14.3	2,320,976	24.1	3,578,209	14.2	2,197,531	22.6
ıternational Fund - Equities	475,395	12.1	425,917	12.7	417,023	(3.8)	421,554	(3.7)

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

(in thousands)

1989

INVESTMENT PORTFOLIO DESCRIPTION	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	$56,372	8.4%	$56,372	8.4%
Treasury Bills	--	--	--	--
Other Short Term Investment fund	258,363	9.4	258,363	9.4
BONDS:				
U.S. Government	$1,924,879	8.1	$1,861,512	8.2
Corporate	583,568	9.9	568,392	9.1
Other: Foreign	62,951	2.5	60,823	2.5
International Investment Fund & Fixed Income	--	--	--	--
Mortgages	970	9.7	970	9.7
Equities	2,781,980	18.3	1,834,738	26.6
International Fund - Equities	--	--	--	--

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

	AGE & SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS	
DATE	NUMBER	Average Annual ALLOWANCE	NUMBER	Average Annual ALLOWANCE	NUMBER	Average Annual ALLOWANCE
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
6-30-92**	17,394	16,998	4,257	20,226	7,868	26,596
6-30-93	17,390	17,672	4,282	21,045	8,178	27,582

* Prior to 6-30-91 "NUMBER" did not include unprocessed retirements. Beginning 6-30-91, "NUMBER" includes unprocessed retirements.

** The figures for 6-30-92 differ from the corresponding figures shown last year due to the revision of data.