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New York City Police Pension Fund Subchapter 2

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Comprehensive Annual Financial Report

A PENSION TRUST FUND OF THE CITY OF NEW YORK

Fiscal Year Ended
June 30, 1999
New York, New York

New York City Police Pension Fund
Subchapter Two
A Pension Trust Fund of The City of New York



Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 1999
New York, New York

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR THE
FISCAL YEAR ENDED JUNE 30, 1999**

Prepared By: Accounting Unit under the direction of:
Inspector Joseph F. Maccone - Commanding Officer
New York City Police Pension Fund - Subchapter 2

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Custodian of the funds

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Board of Trustees

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**NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER TWO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 A PENSION TRUST FUND OF THE CITY OF NEW YORK
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**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK**

**INTRODUCTORY SECTION
PART I**

FISCAL YEAR ENDED JUNE 30, 1999

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police
Pension Fund,
Subchapter 2

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

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 comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Cathy Brueck
President

Jeffrey L. Esser
Executive Director

December 15, 1999

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

The Comprehensive Annual Financial Report, Police Pension Funds Subchapter 2 (the Plan) a Pension Trust Fund of the City of New York for the fiscal year ended June 30, 1999, 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 is 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, KPMG Peat Marwick LLP-Watson, Rice & 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.

It is our objective to present fairly the financial statements, supporting schedules and statistical tables.

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 five 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 Investments Section, which includes reports on investments activities and policies; 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.

Background of the Fund

The New York City Police Pension Fund, Subchapter 2 was incorporated on March 1, 1940 and commenced business on March 29, 1940. On January 30, 1940 the fund operated on an actuarial basis covering persons appointed to the police force after June 1, 1940. The fund succeeded Subchapter 1 (Article 1) pension fund established for New York City Police prior to 1940.

In 1995, legislation was enacted merging Subchapter 1 with Subchapter 2. In addition, during 1995, legislation was passed allowing the New York City Transit Authority and Housing Authority Police Officers to transfer out of New York City Employees Retirement System (NYCERS) and merge with the fund. Three different police departments became one unified police force under the direct control of the Police Commissioner. The New York City Police Pension Fund, Subchapter 2 were arranged primarily to provide retirement and disability benefits for all members of the service of the New York City Police Department. Also, death benefits are provided for the dependents of slain police officers. This purpose is sustained by the members and employers contributions and returns realized from investment of those contributions.

Economic Condition and Outlook

The national economic and financial indicators indicate a strong economy. The national economy has had a rapid growth because of a significant amount of domestic demand as well as consumer spending. Significant consumption reflect a high degree of employment, consumer credit and the rising stock market. The national economy continues to grow, the gross domestic product (GDP) up about 2%. The Federal Reserve is monitoring inflation by changing interest rates to ensure economic stability. Inflation remains low due to the powerful productivity, growth and increased investment in technology. The inflation rate was at a low of about 2% and unemployment averaged about 4½%. The 10 year treasury yield is 5.9, a three month Treasury yield of 5%. The blue chip consensus economic forecast for year 2000 is for a growth rate of about 3%. The city economy continues to show strong performance. The financial communications and Software Industry continues to reflect greater profits. The gross city product (GCP) shows a growth of about 4.3%. This resulted in an increase of approximately 82,000 more jobs. The city's economic growth and stability are expected to continue. There is also a very positive economic outlook for the state and national economies.

Major Initiatives for the Year

Fiscal year 1999 was a good one for the City as well as the Pension System. There was growth in income, jobs and wages, software media, construction and trade. The Police Pension Fund continued to enjoy higher rates of return while spending less than the average amount on investment costs. The pension fund had a good year with returns well above the assumed rate of return and ahead of the median public fund in the United States. This means reduced contributions from New York City to the Police Pension Fund, which saved the City hundreds of millions of dollars. The Board of Trustees approved a few initiatives to further diversify the assets of the fund. Plans were adapted to increase the Fund's exposure to International Equities and to provide for investment in private equity. The diversification objectives have increased returns and provided greater safety for the assets of the Police Pension System. The securities lending program has been continued. Earnings for fiscal 1999 were significantly higher compared to the prior year. Loans of International Investments continue to increase. All loans are fully collateralized with cash or U.S. Treasury Securities. In Fiscal Year 1999 the Police Pension System continued to improve the performance of portfolio funds and Short & Long term Securities. Crime continues to decline and the quality of life in our city is constantly improving. Providing safer and better schools with higher academic standards and performance are a high

priority of New York City. Providing the most in service and the maximum rate of return to the members of the Pension System will always be our primary objective.

Year 2000 Issues

The New York City Police Department's Management Information Systems Division has conducted a comprehensive review of the computer systems and electronic equipment of the NYPD Pension Section in order to identify possible problems relating to the year 2000 issue. The following systems require year 2000 validation in order to continue necessary operations.

The Pension Loan Inquiry System which calculates pension balances and loan information for uniformed members, as well as tax related issues and 1099 statements. Testing and validation of the system has been completed.

The Pension Payroll Data Entry System supplied by the office of the Comptroller, which supports data entry of payroll information. This system has been developed with a year 2000 ready compliance and has been certified as Y2K ready by the office of the Comptroller. The system is currently being tested and validated. The Pension Section purchased Y2K compliant Solomon 1V for windows which is currently being tested and validated.

All computer equipment and software has been inventoried and evaluated for year 2000 readiness and upgraded with new stand alone PC'S or work stations.

The New York City Police Department has addressed all hardware and software Y2K issues within the Pension System and at this time, we believe that there will be no disruptions of normal operations due to this issue.

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. An annual examination of existing Internal Controls is performed in compliance with Directive #1 City Manager Financial Integrity Directive which is administered by the City Comptroller who is also the Treasurer of the Pension Funds. This study and evaluation disclosed no condition that is a material weakness. As a further quality control, the Audit Committee for the City of New York, which includes experts in Accounting and Municipal Finance from the private sector, oversees the independent audit process. This process includes the independent auditors' reports and the Auditors' Management Letter, as well as the Retirements' System response. The committee operates independently and issues its own annual report.

Investment Policy

The investment policies are adopted by the Board of Trustees. The Comptroller of the City of New York is the Treasurer and Chief Custodian of the assets of the Police Pension Fund. Investments are made in a variety of securities including Domestic and International Stocks as well as short-term Investments as to minimize risks and maintain a high competitive return. Fiscal

Fiscal Year 1999 was a good year for financial markets. The Pension Funds continued to diversify assets among different types of securities. The security-lending program has been very profitable for the plan bringing in substantial additional income.

The following table reflects increases and decreases in revenues and expenses for fiscal years 1999 and 1998 respectively. Amounts are in thousands.

| Description | In Thousands-Dollars | | Net Increase Decrease |
|---|----------------------|-------------|--------------------------|
| | Amount 1999 | Amount 1998 | |
| Member Contributions | \$43,091 | \$36,946 | 16.63% |
| Employer Contributions | 486,780 | 531,657 | (8.4%) |
| Total Contributions | 529,871 | 568,603 | (7.0%) |
| Interest Income | 388,335 | 389,129 | (0.21%) |
| Dividend Income & Security Lending | 127,578 | 124,032 | 3% |
| Net Appreciation in Fair Value of invest | 1,457,929 | 2,216,537 | (34%) |
| Investment Expenses & Security Lending | 105,174 | 106,612 | (1.35%) |
| Net Investment Income | 1,868,669 | 2,623,086 | (29%) |
| Benefit Payments & Withdrawals | 890,588 | 838,803 | 6.1% |
| Payments to other funds-Net | 3,726 | 3,292 | 13.2% |
| Total Deductions | \$890,588 | \$838,803 | 6.1% |

As a result net assets available for pension benefits increased from 15,820,110,390 in fiscal year 1998 to 17,331,787,628 in fiscal year 1999, reflecting a 9.6% increase.

A twelve-member board of trustees administers the fund. The board consists of representatives of the Police Commissioner, the Mayor, the City Comptroller and the Commissioner of Finance each with one and one-half votes, four specified officers of the Patrolmen's Benevolent Association with one vote each, and four presidents of certain other police associations, each with one half vote. Meetings are held every month. Special meetings may be called by the chairman or by a request of members of the board with a combined vote of not less than five.

The following are consultants for the various types of investments

FIXED INCOME ADVISORS

Government

- Barclays Global
- Fischer ,Francis
- Putnam
- Lincoln Capital
- F.F.T&W

Mortgage

- Lincoln Capital
- Miller Anderson
- Pimco
- Targeted – Mortgage

Corporate

- T. Rowe Price
- Alliance Capital
- Credit Suisse
- Loomis Sayles
- W.R.Huff

U.S Equity

- FDG Capital Partners
- Equinox Capital
- Smith Barney Assets Mgmt
- Value Advisor
- American Express
- Fidelity
- Growth Advisors
- Deutsche Bank
- Cypress Merchant Bank
- VS & A Fund Management Corp
- Bankers Trust
- Loomis Sayles &Co.

International Equity

- Barclays Global
- Genesis Asset Managers
- GE Investment
- Bank of Ireland
- Capital Guardian
- Schudder Kemper
- Invista
- Oechsle
- Putnam
- T. Rowe Price Fleming
- Delaware
- F.F.T&W
- Schroder Capital
- Capital Guardian
- Pictet

Miscellaneous

- Security Lending Earnings
- Fail Float Earnings

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

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 20.6 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. The key leading indicators continue to point upward towards economic stability.

Inflation and unemployment are down and a rising stock market reflects good times to come. The school system is improving, the number of people on welfare roll is reduced sharply, the crime rate is down and the quality of life greatly improved, thus reflecting a very promising future.

Financial Overview and Fund Structure

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

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

Other Information

The Government Finance 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 Financial Report for the fiscal years ended June 30, 1987 through June 30, 1998. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized 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 Pension Section's Accounting Unit, especially to our Chief Accountant Abraham Papilsky and Deputy Chief Accountant Louis Dory. 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.

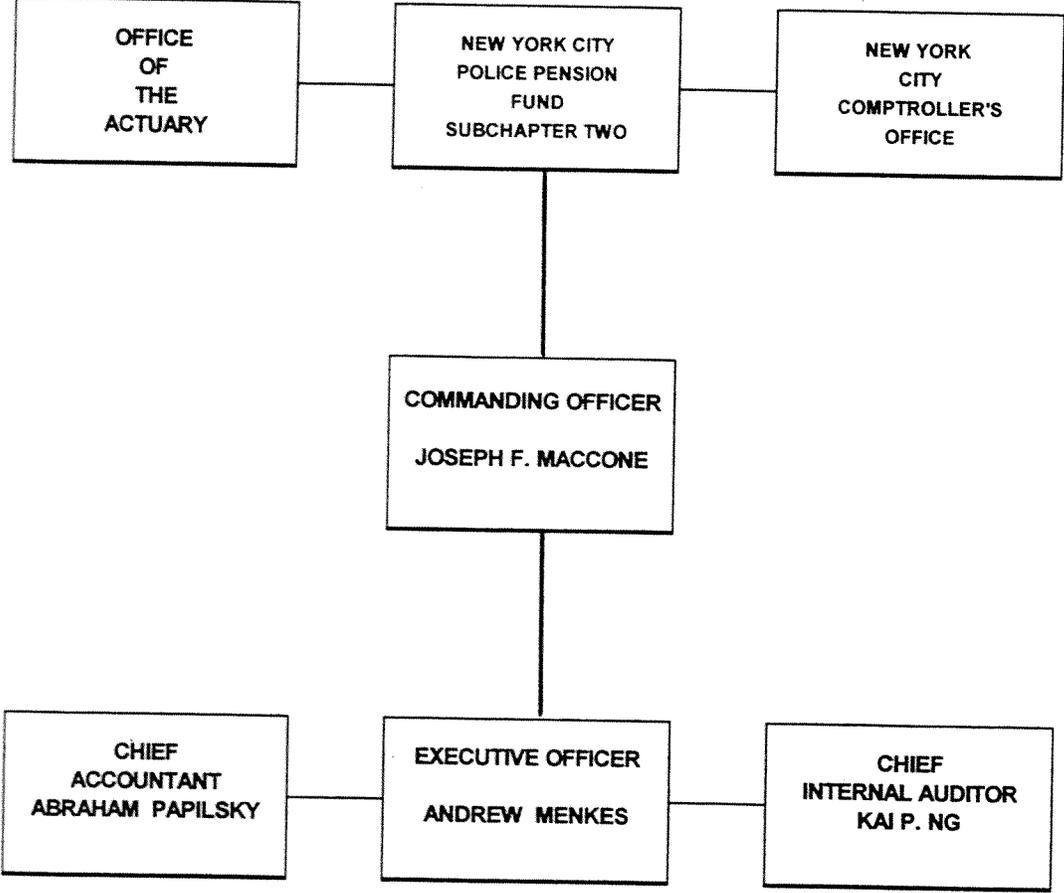
Respectfully submitted,



Joseph F. Maccone
Inspector
Commanding Officer
Pension Section

JFM: BS

NEW YORK CITY POLICE PENSION FUND- SUBCHAPTER TWO
ADMINISTRATIVE ORGANIZATION



**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK**

**FINANCIAL SECTION
PART II**

FISCAL YEAR ENDED JUNE 30, 1999



345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
New York City Police Department,
Subchapter Two Pension Fund:

We have audited the accompanying statements of plan net assets of the New York City Police Department Subchapter Two Pension Fund (the "Plan") as of June 30, 1999 and 1998, and the related statements of changes in plan net assets 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 of the Plan as of June 30, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

The information on Schedules 1 through 3 and the Year 2000 information in note 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to Schedules 1 through 3 certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the Year 2000 information in note 10 because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific requirements regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Plan is or will become Year 2000-compliant, that the Plan's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Plan does business are or will become Year 2000-compliant.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the Introductory, Investment, Actuarial and Statistical sections of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 28, 1999



**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Statements of Plan Net Assets

June 30, 1999 and 1998

(in thousands)

| | <u>1999</u> | <u>1998</u> |
|---|----------------------|-------------------|
| Assets: | | |
| Receivables: | | |
| Receivables for investment securities sold | \$ 508,276 | 431,087 |
| Accrued interest and dividends receivable | 64,963 | 59,568 |
| Employer contributions receivable - long term (note 6) | <u>454,023</u> | <u>469,303</u> |
| Total receivables | <u>1,027,262</u> | <u>959,958</u> |
| Investments, at fair value (notes 2 and 3): | | |
| Short-term investments: | | |
| Commercial paper | 506,866 | 289,514 |
| Short-term investment fund | 664,028 | 431,367 |
| U.S. Government agency discount notes | 58,535 | 33,520 |
| Debt securities: | | |
| U.S. Government | 2,644,198 | 2,435,424 |
| Corporate | 1,611,266 | 1,511,940 |
| Foreign | 237,927 | 226,224 |
| Equity securities | | |
| International investment fund - equities | 9,264,006 | 8,800,318 |
| Collateral from securities lending transactions | 2,676,535 | 2,326,492 |
| Collateral from securities lending transactions | <u>1,925,811</u> | <u>1,840,477</u> |
| Total investments | <u>19,589,172</u> | <u>17,895,276</u> |
| Other assets | <u>5,035</u> | <u>4,066</u> |
| Total assets | <u>20,621,469</u> | <u>18,859,300</u> |
| Liabilities: | | |
| Accounts payable (note 2) | 48,349 | 34,461 |
| Payables for investment securities purchased | 1,303,317 | 1,152,373 |
| Accrued benefits payable | 12,204 | 11,879 |
| Securities lending transactions | <u>1,925,811</u> | <u>1,840,477</u> |
| Total liabilities | <u>3,289,681</u> | <u>3,039,190</u> |
| Plan net assets held in trust for pension benefits (a schedule of funding progress for the Plan is presented on Schedule 1) | <u>\$ 17,331,788</u> | <u>15,820,110</u> |

See accompanying notes to financial statements.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Statements of Changes in Plan Net Assets

Years ended June 30, 1999 and 1998

(in thousands)

| | <u>1999</u> | <u>1998</u> |
|---|----------------------|-------------------|
| Additions: | | |
| Contributions (notes 5 and 6): | | |
| Member contributions (net of loans to members - note 5) | \$ 43,091 | 36,945 |
| Employer contributions | <u>486,780</u> | <u>531,657</u> |
| Total contributions | <u>529,871</u> | <u>568,602</u> |
| Investment income: | | |
| Interest income | 291,780 | 291,635 |
| Securities lending income | 96,555 | 97,494 |
| Dividend income | 127,578 | 124,032 |
| Net appreciation in fair value of investments | <u>1,457,929</u> | <u>2,216,537</u> |
| Total investment income | <u>1,973,842</u> | <u>2,729,698</u> |
| Less: | | |
| Investment expenses | 13,895 | 13,189 |
| Securities lending fees | <u>91,278</u> | <u>93,423</u> |
| Total investment expenses | <u>105,173</u> | <u>106,612</u> |
| Net investment income | <u>1,868,669</u> | <u>2,623,086</u> |
| Net payments from other funds | <u>3,726</u> | <u>3,292</u> |
| Total additions | <u>2,402,266</u> | <u>3,194,980</u> |
| Deductions: | | |
| Benefits payments and withdrawals | <u>890,588</u> | <u>838,803</u> |
| Total deductions | <u>890,588</u> | <u>838,803</u> |
| Net increase | 1,511,678 | 2,356,177 |
| Plan net assets held in trust for pension benefits: | | |
| Beginning of year | <u>15,820,110</u> | <u>13,463,933</u> |
| End of year | <u>\$ 17,331,788</u> | <u>15,820,110</u> |

See accompanying notes to financial statements.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

(1) Plan Description in Effect as of June 30, 1998

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

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 City Police Department are required to become members of the Plan upon employment.

The Plan functions in accordance with existing New York State ("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.

In June 1991, the Governmental Accounting Standards Board (the "GASB") issued Statement No. 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Plan.

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

At June 30, 1998 and 1997, the dates of the Plan's most recent actuarial valuations, the Plan's membership consisted of:

| | 1998 | 1997 |
|--|-------------|-------------|
| Retirees and beneficiaries receiving benefits * | 35,047 | 35,280 |
| Terminated vested members not yet receiving benefits | 52 | 31 |
| Active members ** | 38,133 | 38,217 |
| Total | 73,232 | 73,528 |

* These figures exclude retirees and beneficiaries no longer receiving benefits that have not yet been cancelled from the retirement registers.

** These figures include only current active members receiving salary as of each June 30.

(Continued)

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

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 benefit provides an allowance of one-half of "final salary" (as defined within plan documents) after 20 years 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-year or 25-year minimum. These additional benefits are increased, where applicable, by an annuity attributable to member contributions with respect to service over the 20-year 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 benefit 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 benefit 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-year or 25-year minimum plus an annuity based on the member's contributions with accumulated interest and the amount accumulated under the ITHP program.

Annuities attributable to member contributions are reduced on an actuarial basis for any loans with unpaid balances outstanding at the date of retirement.

Subject to certain conditions, the Plan also provides that members become fully vested as to benefits upon the completion of 15 years of service. In addition, the Plan includes provisions for death benefits.

Finally, certain service retirees also receive supplemental benefits under the New York City Police Department Variable Supplements Funds, which are not included in these financial statements.

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 ("RSSL") to modify certain benefits for employees joining the Plan on or after the effective date of such amendments. These amendments, which affect employees who joined the Plan after July 1, 1973, established certain benefit limitations relating to eligibility for retirement, the salary base for benefits and maximum benefits.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

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

(a) *Basis of Accounting*

The Plan uses the accrual basis of accounting 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. Contributions from members are recorded when the employer makes payroll deductions from plan members. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

(b) *Method Used to Value Investments*

Investments are valued at fair value. Traded 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.

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

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

(c) *Income Taxes*

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

(d) *Other*

Accounts payable represents, principally, amounts due to banks for benefit payments made on or before June 30, 1999 and 1998; transfers to the appropriate bank accounts were made after those dates.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

(e) *Securities Lending Transactions*

State statutes and board of trustees policies permit the Plan to lend its securities (the underlying securities) to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodian lends the following types of securities: short-term securities, common stock, long-term corporate bonds, U.S. Government and U.S. Government agencies' bonds, asset-backed securities and international equities and bonds held in collective investments funds. In return, it receives collateral in the form of cash, treasury and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year end, the Plan had no credit risk exposure to borrowers because the amounts the Plan owed the borrowers equaled or exceeded the amounts the borrowers owed the Plan. The contracts with the Plan custodian require borrowers to indemnify the Plan if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand within a period specified in each agreement by either the Plan or the borrowers. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. The underlying securities (fixed income) have an average maturity of ten years.

GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," requires that securities loaned as assets and related liabilities be reported in the statements of plan net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are also reported as assets if the government entity has the ability to pledge or sell them without a borrower default. Accordingly, the Plan recorded the investments purchased with the cash collateral as collateral from securities lending transactions with a corresponding liability as securities lending transactions.

The securities lending program in which the Plan participates only allows pledging or selling securities in the case of borrower default. Accordingly, the Plan is fully indemnified against any loss of value between the securities loaned and the securities held as collateral.

(f) *Reclassifications*

Reclassifications of certain prior year amounts have been made to conform with current year presentation.

(3) *Deposits and Investments*

The Administrative Code of the City of New York ("ACNY") 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 CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

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 BBB 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 RSSL.
- (c) Short-term investments may be made in the following instruments:
 - (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.
 - (ii) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.
 - (iii) Repurchase agreements collateralized in a range of 100% to 103% of matured value purchased through the primary dealers of U.S. Government securities.
- (d) Investments in banker's 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 may be made in instruments not specifically covered by the RSSL.

Cash deposits are insured by the Federal Deposit Insurance Corporation for up to \$100,000 per plan member and are, therefore, fully insured.

Investments of the Plan are categorized by level of custodial 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.

(Continued)

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

Investments owned by the Plan, including the collateral from securities lending transactions of \$1,925.8 million and \$1,840.5 million at June 30, 1999 and 1998, respectively, are listed according to their investment classification in the following table:

| | 1999 | 1998 |
|--|-----------------------|-------------|
| | (in thousands) | |
| Categorized (A): | | |
| Repurchase agreements | \$ 131,233 | 157,058 |
| Commercial paper | 1,291,232 | 845,861 |
| U.S. Government securities | 2,708,607 | 2,477,637 |
| Corporate bonds | 2,056,698 | 2,083,859 |
| Equity securities | 9,264,005 | 8,800,318 |
| Foreign debt securities | 237,927 | 226,224 |
| Subtotal | 15,689,702 | 14,590,957 |
| Noncategorized (B): | | |
| Short-term investment fund | 1,213,660 | 945,853 |
| International investment fund - equities | 2,676,535 | 2,326,492 |
| Mutual funds | 8,571 | 2,315 |
| Other | 704 | 29,659 |
| Subtotal | 3,899,470 | 3,304,319 |
| Total | \$ 19,589,172 | 17,895,276 |

(A) All categorized investments are Category 1 risk.

(B) These securities are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

(4) Due to Variable Supplements Funds ("VSFs")

The ACNY provides that the Plan pay to the Police Officers' Variable Supplements Fund ("POVSF") and the Police Superior Officers' Variable Supplements Fund ("PSOVSF") amounts equal to certain excess earnings on equity investments of the Plan. Such transfers from the Plan to the POVSF and PSOVSF are limited to the unfunded accumulated benefit obligation ("ABO") of these VSFs. The excess earnings are defined as the amount by which earnings on equity investments of the Plan 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 of prior years' excess earnings that fell below the yield of fixed income investments.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

For fiscal year 1999, the unfunded ABO of the VSFs is estimated to be equal to zero, resulting in no transfers due from the Plan.

For fiscal year 1998, the unfunded ABO of the VSFs was equal to zero and, therefore, no excess earnings were due from the Plan.

(5) Contributions

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.

(a) Employee Contributions

Members contribute by salary deductions on the basis of a normal rate of contribution which is assigned by the Plan at membership. The normal rate, which is dependent upon age and actuarial tables in effect at the time of membership, is determined so as to provide approximately one-third of the service retirement allowance at the earliest age for service retirement. For age at membership equal to 20, the normal rate ranges between 7.90% and 8.20%. For age at membership equal to 30, the normal rate ranges between 4.70% and 4.85%.

Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity. 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. Contributions from members are recorded when the employer makes payroll deductions from Plan members.

Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding. The amount of member loans outstanding as of June 30, 1999 was approximately \$340 million and as of June 30, 1998, approximately \$319 million.

(b) Employer Contribution

The employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates.

The Frozen Entry Age Actuarial Cost Method of funding is utilized by the Plan's actuary to calculate the contributions from the employers.

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 Actuarial Accrued Liability ("UAAL"), is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

The UAAL was reestablished in accordance with the Actuarial Cost Method as of June 30, 1995 as provided by Chapter 598 of the Laws of 1996 ("Chapter 598/96"), which also provided for schedules of payments toward the UAAL, including the Balance Sheet Liability ("BSL") portion of the UAAL. The BSL is the Employer Contribution Receivable - Long Term described in note 6.

The schedules of payments toward the UAAL and BSL established by Chapter 598/96 provide that the UAAL and BSL as of June 30, 1995 be amortized over a period of fifteen years beginning fiscal year 1996, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

In addition, three UAAL were established under Chapter 119 of the Laws of 1995 ("Chapter 119/95"), Chapter 157 of the Laws of 1997 ("Chapter 157/97") and Chapter 390 of the Laws of 1998 ("Chapter 390/98").

Chapter 119/95 and Chapter 390/98 established a UAAL as of June 30, 1996 and June 30, 1998, respectively, for retiree supplementation. These UAAL are being amortized on a level basis over an effective period of ten years beginning December 1996 and September 1998, respectively.

Chapter 157/95 established a UAAL as of June 30, 1997. This UAAL is being amortized on a level basis over a period of fourteen years beginning fiscal year 1997, where the amount of each annual credit after the first is equal to 103% of the preceding annual credit.

The Actuarial Asset Valuation Method ("AAVM") was changed as of June 30, 1995 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995.

Under this AAVM, the Actuarial Asset Value ("AAV") was reset to Market Value (i.e., "Market Value Restart") as of June 30, 1995. This AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected (i.e., Unexpected Investment Returns ("UIR")) over five years at a rate of 20% per year (or at a cumulative rate of 20%, 40%, 60%, 80% and 100% over five years).

The AAVM used as of June 30, 1996 is a modified version of that used as of June 30, 1995.

Under this modified AAVM, any UIR for fiscal years 1997 or later are being phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70% and 100% over five years). The UIR for fiscal year 1996 is being phased in beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70% and 100% over five years.

Employer contributions for 1998 and 1999 were equal to the actuary's recommendations.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

(6) Employer Contribution Receivable - Long Term

As a result of State legislation in 1982, the City made certain revisions, effective July 1, 1980, to the Plan. Among other provisions, the legislation changed the timing of pension contributions by the City. Prior to enactment, pension contributions were made on a statutory basis which reflected pension costs incurred two years earlier. The law provides that the adjusted accrued pension contributions receivable ("Employer Contribution Receivable - Long Term") 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% per annum (8% beginning in fiscal year 1983, 8.25% beginning in fiscal year 1989, 8.5% beginning in fiscal year 1991 and 8.75% beginning in fiscal year 1997). The interest is included in employer contributions each year.

Chapter 598/96 continues the payment schedule to provide that the accrued pension contribution receivable from the City as of June 30, 1995 be amortized over a period of 15 years beginning fiscal year 1996, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

(7) Investment Advisors

The Comptroller of the City of New York (the "Comptroller") 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.

(8) Related Parties

Administrative and investment expenses (\$1,975,396 in fiscal year 1999 and \$4,845,579 in fiscal year 1998), except for certain investment expenses, are paid by the City.

The Comptroller 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 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.

(Continued)

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

(9) Contingent Liabilities and Other Matters

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 plan net assets or changes in plan net assets 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.

Other Matters

During 1999 and 1998, certain events described herein 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; however, it is the opinion of plan management that such developments would not have a material effect on plan net assets or changes in plan net assets.

(a) Actuarial Audit

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems ("NYCRS") are conducted every two years. The most recent study was completed in October 1999 (see note 9(b)).

(b) Revised Actuarial Assumptions and Methods

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as recommended by the Actuary for use in the determination of employer contributions.

Based upon a review of the latest independent actuarial study, the Actuary anticipates proposing changes to certain actuarial assumptions and methods to be used by the NYCRS for fiscal years beginning on and after July 1, 1999 (i.e., fiscal year 2000).

(c) New York State Legislature

Chapter 388 of the Laws of 1998 provides a preretirement death benefit for certain vested members of the Plan.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

Chapter 390 of the Laws of 1998 provides additional benefits for cost-of-living increases for certain retirees of the Plan. An initial increase for members who retired on or before calendar year 1992 is effective as of September 1998 as elected by the City Council on August 27, 1998. A subsequent increase for members who retired on or before calendar year 1993 is effective as of September 1999 as elected by the City Council on August 27, 1998.

Chapter 644 of the Laws of 1998 provides that any active member with ten or more years of service and within three years of retirement may purchase three years of service credit for U.S. Military Service during a period of war.

Chapter 645 of the Laws of 1998 requires the transfer of Plan assets when members transfer to and from the Plan and FIRE on and after July 1, 1998.

(10) Required Supplementary Information - Year 2000 (Unaudited)

The New York City Police Department's Management Information Systems Division has conducted a comprehensive review of the computer systems and electronic equipment of the NYPD Pension Section in order to identify possible problems relating to the Year 2000 issue. The following systems require Year 2000 validation in order to continue necessary operations:

The Pension Loan Inquiry System which calculates pension balances and loan information for uniformed members, as well as tax-related issues and 1099 statements. Testing and validation of the system have been completed.

The Pension Payroll Data Entry System supplied by the office of the Comptroller, which supports data entry of payroll information. This system has been developed with a Year 2000-ready compliance and has been certified as Year 2000 ("Y2K") ready by the office of the Comptroller. The system is currently being tested and validated.

The Solomon Software package used by the Investment and Accounting Unit of the Pension Section for the proper monitoring and accounting for over \$20,000,000,000 in assets of the three Police Pension Funds. On September 24, 1998, the unit purchased the Y2K-compliant Solomon IV for Windows, which is currently being tested and validated.

All computer equipment and software have been inventoried and evaluated for Y2K readiness and upgraded with new stand-alone PCs or work stations.

(Continued)

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Notes to Financial Statements

June 30, 1999 and 1998

The New York City Police Department has addressed all hardware and software Y2K issues within the Pension System and, at this time, we believe that there will be no disruptions of normal operations due to this issue.

Because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Management cannot assure that the Police Department of New York Pension Plans unit is or will be Y2K-ready, that the Plan's remediation effort will be successful in whole or in part, or that parties with whom the Plans unit does business will be Y2K-ready.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Schedule of Funding Progress
(In conformity with the Plan's funding method)

(Unaudited)

(in thousands)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------------------|----------------------------------|---|----------------------------|---------------------|------------------------|--|
| Actuarial valuation date | Actuarial value of assets | Actuarial accrued liability (AAL) frozen | Unfunded AAL (UAAL) | Funded ratio | Covered payroll | UAAL as a percentage of covered payroll |
| <u>June 30</u> | <u>(B)</u> | <u>(B) & (C)</u> | <u>(D)(2)-(1)</u> | <u>(1)÷(2)</u> | | <u>(3)÷(5)</u> |
| (A) | (B) | (B) & (C) | (D)(2)-(1) | (1)÷(2) | | (3)÷(5) |
| 1998 | \$ 12,397,792 | \$ 13,812,459 | \$ 1,414,667 | 89.8% | \$ 2,091,063 | 67.7% |
| 1997 | 11,237,636 | 12,475,679 | 1,238,043 | 90.1% | 2,036,450 | 60.8% |
| 1996 | 10,342,907 | 11,603,367 | 1,260,460 | 89.1% | 1,919,993 | 65.6% |
| 1995 | 9,632,930 | 10,955,850 | 1,322,920 | 87.9% | 1,844,885 | 71.7% |
| 1994 | 8,137,414 | 9,537,538 | 1,400,124 | 85.3% | 1,478,485 | 94.7% |
| 1993 | 7,658,405 | 8,973,327 | 1,314,922 | 85.3% | 1,379,928 | 95.3% |

- (A) For the year ended June 30, 1995 and later, the valuation method was changed from an end of year to a beginning of year convention.
- (B) As of June 30, 1995, economic and non-economic assumptions were revised due to experience review.

The Actuarial Asset Valuation Method ("AAVM") was changed as of June 30, 1995 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995.

Under this AAVM, the Actuarial Asset Value ("AAV") was reset to Market Value (i.e., "Market Value Restart") as of June 30, 1995. This AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected (i.e., Unexpected Investment Returns ("UIR")) over five years at a rate of 20% per year (or at a cumulative rate of 20%, 40%, 60%, 80% and 100% over five years).

The AAVM used as of June 30, 1996 is a modified version of that used as of June 30, 1995.

Under this modified AAVM, any UIR for fiscal years 1996 or later are being phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70% and 100% over five years). The UIR for fiscal year 1996 is being phased in beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70% and 100% over five years.

(Continued)

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Schedule of Funding Progress
(In conformity with the Plan's funding method)

(Unaudited)

(in thousands)

- (C) To effectively assess the funding progress of the Plan, it is necessary to compare the actuarial value of assets and the actuarial accrued liability calculated in a manner consistent with the Plan's funding method over a period of time. The actuarial accrued liability is the portion of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs and future member contributions.
- (D) The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets. This is the same as unfunded frozen actuarial accrued liability, which is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Schedule of Employer Contributions

(Unaudited)

(in thousands)

| <u>Annual fiscal year ended June 30</u> | <u>Required contribution</u> | <u>Percentage contributed</u> |
|--|---|--|
| 1999 | \$ 486,780 | 100% |
| 1998 | 531,657 | 100 |
| 1997 | 529,777 | 100 |
| 1996 | 554,961 | 100 |
| 1995 | 414,928 | 100 |
| 1994 | 414,446 | 100 |

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

Actuarial Methods and Assumptions

(Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the last two actuarial valuations follows:

| <u>Valuation date</u> | <u>June 30, 1998</u> | <u>June 30, 1997</u> |
|--|--|---|
| Actuarial cost method | Frozen entry age. | Frozen entry age. |
| Amortization method for Unfunded Actuarial Accrued Liabilities | Increasing dollar, except for UAAL attributable to retiree supplementation. | Increasing dollar, except for UAAL attributable to retiree supplementation. |
| Remaining amortization period | All outstanding components of the UAAL are being amortized over closed periods. | All outstanding components of the UAAL are being amortized over closed periods. |
| | 12 years for consolidated unfunded accrued liability and BSL. 8 years for UAAL attributable to 1995 retiree supplementation. 12 years for UAAL attributable to 1997 change in assumption. 10 years for UAAL attributable to 1998 retiree supplementation. | 13 years for consolidated unfunded accrued liability and BSL. 9 years for UAAL attributable to 1995 retiree supplementation. 13 years for UAAL attributable to 1997 change in assumption. |
| Actuarial asset valuation method | Modified five-year average of market values with market value restart as of June 30, 1995. | Modified five-year average of market values with market value restart as of June 30, 1995. |
| Actuarial assumptions: Assumed rate of return on investments | 8.75% per annum.* | 8.75% per annum.* |
| Postretirement mortality | Tables based on recent experience. | Tables based on recent experience. |
| Active service withdrawal, death, disability, service retirement | Tables based on recent experience. | Tables based on recent experience. |
| Salary increases | In general, merit and promotion increases plus assumed general wage increases of 4.0% per year.* | In general, merit and promotion increases plus assumed general wage increases of 4.0% per year.* |
| Cost-of-living adjustments | Provided by the legislature on an ad hoc basis. | Provided by the legislature on an ad hoc basis. |

* Developed assuming a long-term Consumer Price Inflation assumption of 3.5% per year.

New York City Police Pension Fund- Subchapter 2

**Schedule of Administrative Expenses
Year Ended June 30, 1999**

| | |
|--|--------------|
| <u>Salaries Paid to Plan Personnel</u> | \$ 2,916,428 |
|--|--------------|

Professional Services:

| | | |
|------------------------------------|----------------|------------------|
| Administration | \$ 343,974 | |
| Trading and Investments | 789,450 | |
| Management Division | 19,724 | |
| Legal | <u>339,963</u> | |
| Total Professional Services | | 1,493,111 |

Communication and General Services:

| | | |
|---|---------------|----------------|
| Printing and Computer Services | 64,520 | |
| Heat, light and telephone | 4,412 | |
| Postage | 135,107 | |
| General services | <u>43,861</u> | |
| Total Communication and General services | | 247,900 |

Miscellaneous Expenses:

| | | |
|-------------------------------------|---------------|----------------|
| Office of Management and Budget | 178,888 | |
| Department of Financial Management | <u>55,496</u> | |
| Total Miscellaneous Expenses | | 234,384 |

| | | |
|--------------------------------------|--|---------------------|
| Total Administrative Expenses | | \$ 4,891,823 |
|--------------------------------------|--|---------------------|

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

**NEW YORK POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2**

Advisor & Custody Fees

Year ended June 30, 1999

| | <u>MANAGEMENT FEE</u> | <u>CUSTODY FEE</u> | <u>TOTAL</u> |
|---|--------------------------------|-----------------------------|---------------------------------|
| <u>INTERNATIONAL EQUITY</u> | | | |
| BANK OF IRELAND | 738,658.00 | | |
| BARCLAYS | 342,159.00 | 101,256.00 | 839,914.00 |
| CAPITAL GUARDIAN | 1,031,259.00 | 79,236.00 | 421,395.00 |
| GE | 540,269.00 | 99,859.00 | 1,131,118.00 |
| GENESIS | 319,875.00 | | 540,269.00 |
| MORGAN STABLEY | 11,215.00 | 51,345.00 | 371,220.00 |
| ROWE PRICE FLEMING | 32,789.00 | | 11,215.00 |
| SCHRODER | 412,578.00 | 165,245.00 | 32,789.00 |
| SCUDDER | 735,425.00 | 219,465.00 | 577,821.00 |
| | | | 654,890.00 |
| <u>TOTAL INT'L EQUITY</u> | <u>\$ 4,184,225.00</u> | <u>\$ 716,406.00</u> | <u>\$ 4,880,631.00</u> |
| <u>U.S. EQUITY</u> | | | |
| BANKERS TRUST | 90,375.00 | | |
| AMERICAN EXPRESS | 398,275.00 | | 90,375.00 |
| EQUINOX | 599,378.00 | | 398,275.00 |
| FIDELITY | 1,240,889.00 | | 599,378.00 |
| LOOMIS-VALUE | 712,459.00 | | 1,240,889.00 |
| LOOMIS-GROWTH | 538,457.00 | | 712,459.00 |
| SMITH BARNEY | 438,659.00 | | 538,457.00 |
| | | | 438,659.00 |
| <u>TOTAL DOMESTIC EQUITY</u> | <u>\$ 4,019,292.00</u> | <u>0.00</u> | <u>4,019,292.00</u> |
| <u>ALTERNATIVE INVESTMENTS</u> | | | |
| CYPRESS | 18,978.00 | | |
| VS & A | 217,598.00 | | 18,978.00 |
| | | | 217,598.00 |
| <u>TOTAL ALTERNATIVE INVESTMENTS</u> | <u>\$ 236,576.00</u> | <u>0.00</u> | <u>\$ 236,576.00</u> |
| <u>SECURITY LENDING</u> | | | |
| | <u>\$ 91,278,068.00</u> | <u>0.00</u> | <u>\$ 91,278,068.00</u> |
| <u>FIXED INCOME</u> | | | |
| ALLIANCE | 168,475.00 | | |
| BEA | 217,599.00 | | 168,475.00 |
| BEA-HIGH YIELD | 261,584.00 | | 217,599.00 |
| FFTW | 315,428.00 | | 261,584.00 |
| INVESTMENT ADVISORS | 171,589.00 | | 315,428.00 |
| LOOMIS | 588,459.00 | | 171,589.00 |
| LINCOLN | 219,589.00 | | 588,459.00 |
| MILLER ANDERSON | 388,459.00 | | 219,589.00 |
| PIMCO | 305,489.00 | | 388,459.00 |
| PUTNAM | 156,892.00 | | 305,489.00 |
| T. ROWE PRICE | 97,289.00 | | 156,892.00 |
| BARCLAYS | 31,598.00 | | 97,289.00 |
| WR HUFF | 514,378.00 | | 31,598.00 |
| | | | 514,378.00 |
| <u>TOTAL FIXED INCOME</u> | <u>\$ 3,436,828.00</u> | <u>0.00</u> | <u>\$ 3,436,828.00</u> |
| <u>DOMESTIC CUSTODY</u> | | | |
| CITIBANK | | 218,375.00 | 218,375.00 |
| STATE STREET | | 5,375.00 | 5,375.00 |
| <u>TOTAL DOM. CUSTODY</u> | | <u>\$ 223,750.00</u> | <u>\$ 223,750.00</u> |
| <u>CONSULTANTS</u> | | | |
| PACIFIC CONSULTING GROUP | 132,659.00 | | |
| STRATEGIC INVESTMENT | 128,345.00 | | 132,659.00 |
| BUCK | 838,459.00 | | 128,345.00 |
| | | | 838,459.00 |
| <u>TOTAL CONSULTANTS</u> | <u>\$ 1,099,463.00</u> | <u>0.00</u> | <u>\$ 1,099,463.00</u> |
| <u>TOTAL</u> | <u>\$104,233,452.00</u> | <u>\$ 940,156.00</u> | <u>\$ 105,173,608.00</u> |

BROKERS COMMISSIONS
 FYE 1999

POLICE

| | | |
|----------------------------|----------|--------|
| ABEL NOSER CORP THRU 100 | 3447.7 | 0.017 |
| | % 0.03 | |
| ABN AMRO INC | 15254.9 | 0.0295 |
| | % 0.14 | |
| ADAMS HARKNESS & HILL | 1505 | 0.0496 |
| | % 0.02 | |
| AFFILIATED INVEST SERV THR | 0 | 0 |
| | % 0.00 | |
| AUTRANET,INC THRU 0443 | 1794 | 0.0488 |
| | % 0.01 | |
| B-TRADE SERVICES LLC | 53 | 0.01 |
| | % 0.00 | |
| BAIRD ROBERT W & CO INC | 13816 | 0.0421 |
| | % 0.13 | |
| BANKERS TR-BROKER CLEAR TH | 0 | 0 |
| | % 0.00 | |
| BANKERS TRUST CO | 0 | 0 |
| | % 0.00 | |
| BANKERS TRUST CO. - GIM | 0 | 0 |
| | % 0.00 | |
| BANKERS TRUST CO-GIM | 0 | 0 |
| | % 0.00 | |
| BAUM (GEORGE K.)& CO | 0 | 0 |
| | % 0.00 | |
| BEAR STEARNS & CO. | 93434.17 | 0.0434 |
| | % 0.88 | |
| BEREAN CAPITAL INC #2 | 2862 | 0.06 |
| | % 0.03 | |
| BERNARD HEROLD & CO THRU 0 | 726 | 0.06 |
| | % 0.01 | |
| BERNSTEIN SANFORD C. & CO | 86090 | 0.0511 |
| | % 0.81 | |
| BHF SECURITIES CORP | 0 | 0 |

BROKERS COMMISSIONS
FYE 1999

| | | |
|----------------------------|--------|--------------------|
| | % 0.00 | |
| BLACK & CO THRU 0443 | | 0 0 |
| | % 0.00 | |
| BLAIR WILLIAM & CO | | 9517 0.0237 |
| | % 0.09 | |
| BNY ESI & CO-ALPHA DIV THR | | 2195.35 0.0539 |
| | % 0.02 | |
| BOSTON INSTITUTIONAL THRU | | 2913 0.0516 |
| | % 0.02 | |
| BRAD PEERY CAP | | 0 0 |
| | % 0.00 | |
| BRADFORD,JC & CO | | 0 0 |
| | % 0.00 | |
| BRICK DIV GERARD KIAUER TH | | 670 0.05 |
| | % 0.01 | |
| BRIDGE TRADING THRU 573 | | 13425 0.0543 |
| | % 0.13 | |
| BROAD COURT CORP THRU 0161 | | 45287.92 0.0559 |
| | % 0.42 | |
| BROWN BROTHERS HARRIMAN & | | 4107.28 0.0598 |
| | % 0.04 | |
| BT ALEX BROWN INC | | 49610 0.053 |
| | % 0.47 | |
| BUCKINGHAM RESEARCH GROUP, | | 0 0 |
| | % 0.00 | |
| C & A TRADING - NSCC | | 1700 0.05 |
| | % 0.01 | |
| CANTOR FITZGERALD & CO, IN | | 6924.5 0.0212 |
| | % 0.07 | |
| CAPEL JAMES SECURITIES THR | | 7799.34 0.0597 |
| | % 0.07 | |
| CAPITAL INSTIT SEC INC THR | | 71872 0.0522 |
| | % 0.68 | |
| CHAPMAN COMPANY THRU 0235 | | 0 0 |
| | % 0.00 | |

BROKERS COMMISSIONS
FYE 1999

| | | |
|----------------------------|----------|--|
| CIBC OPPENHEIMER CORP | 27047.75 | |
| | 0.0483 | |
| | % 0.25 | |
| CITATION GROUP THRU 0161 | 47802.35 | |
| | 0.05 | |
| | % 0.45 | |
| CITICORP SECURTIES SVCS IN | 0 | |
| | 0 | |
| | % 0.00 | |
| CLEARY, GULL & REILAND THR | 858 | |
| | 0.06 | |
| | % 0.01 | |
| COMMERZBANK CAPITAL MARKET | 0 | |
| | 0 | |
| | % 0.00 | |
| CONNING & CO THRU 0161 | 15 | |
| | 0.05 | |
| | % 0.00 | |
| CORRESPONDENT SVCS CORP TH | 9629 | |
| | 0.0475 | |
| | % 0.09 | |
| COWEN & CO | 49926 | |
| | 0.0479 | |
| | % 0.47 | |
| CREDIT LYONNAIS SECS THRU | 0 | |
| | 0 | |
| | % 0.00 | |
| CREDIT SUISSE FIRST BOSTON | 107737.5 | |
| | 0.0444 | |
| | % 1.02 | |
| CREDIT SUISSE THRU 2117 | 0 | |
| | 0 | |
| | % 0.00 | |
| CRUTTENDEN & CO THRU 0773 | 0 | |
| | 0 | |
| | % 0.00 | |
| D. E. SHAW SECURITIES, INC | 23881 | |
| | 0.0075 | |
| | % 0.22 | |
| DAIN RAUSCHER INCORPORATED | 9777 | |
| | 0.0456 | |
| | % 0.09 | |
| DAVENPORT & CO OF VIRGINIA | 636 | |
| | 0.06 | |
| | % 0.01 | |
| DAVIDSON (DA)&CO-NSCC | 585 | |
| | 0.05 | |
| | % 0.01 | |
| DB CLEARING SERVICES | 56636 | |
| | 0.0388 | |
| | % 0.53 | |
| DEAN WITTER REYNOLDS INC | 0 | |

BROKERS COMMISSIONS
FYE 1999

| | |
|----------------------------|---------|
| | 0 |
| % 0.00 | |
| DEUTSCHE MORGAN GRENFELL | 18751.4 |
| | 0.0512 |
| % 0.18 | |
| DLJ CAPITAL MARKETS | 0 |
| | 0 |
| % 0.00 | |
| DOMINICK & DOMINICK | 0 |
| | 0 |
| % 0.00 | |
| DONALDSON & CO INC THRU 04 | 0 |
| | 0 |
| % 0.00 | |
| DRESDNER SECS (USA) INC | 1575 |
| | 0.05 |
| % 0.01 | |
| EDWARDS (AG) & SONS INC | 2184 |
| | 0.057 |
| % 0.02 | |
| ELKINS MCSHERRY & CO INC | 2 |
| | 0.02 |
| % 0.00 | |
| EQUITY SECS TRADING THRU 2 | 4386 |
| | 0.06 |
| % 0.04 | |
| ERNST & CO | 13459 |
| | 0.0468 |
| % 0.13 | |
| EVEREN SECS INC THRU 0262 | 1225 |
| | 0.0528 |
| % 0.01 | |
| EWING CAPITAL THRU BROADCO | 0 |
| | 0 |
| % 0.00 | |
| EXECUTION SERVICES INC | 13950 |
| | 0.0511 |
| % 0.13 | |
| F C FINANCIAL SVCS THRU 04 | 0 |
| | 0 |
| % 0.00 | |
| FACTSET DATA SYSTEMS INC | 16284 |
| | 0.06 |
| % 0.15 | |
| FACTSET DATA SYSTEMS THRU | 3668 |
| | 0.0585 |
| % 0.04 | |
| FAHNESTOCK & CO. | 2812 |
| | 0.0557 |
| % 0.03 | |
| FIDELITY CAP MKTS (NFSC)TH | 8668 |
| | 0.0521 |

BROKERS COMMISSIONS
FYE 1999

| | | |
|----------------------------|--------|--------|
| FIRST AFFILIATED SECS THRU | % 0.08 | 0 |
| | | 0 |
| FIRST ALBANY CORP | % 0.00 | 815 |
| | | 0.0174 |
| FIRST ANALYSIS SEC CORP TH | % 0.00 | 325 |
| | | 0.05 |
| FIRST CLEARING CORPORATION | % 0.01 | 1506 |
| | | 0.06 |
| FIRST OF AMERICA BANK-MICH | % 0.01 | 0 |
| | | 0 |
| FIRST OPTIONS OF CHICAGO T | % 0.00 | 1338 |
| | | 0.03 |
| FIRST UNION CAPITAL MARKET | % 0.01 | 0 |
| | | 0 |
| FIRST UNION CAPITAL MKTS T | % 0.00 | 15 |
| | | 0.05 |
| FISERV CORRESPONDENT SVCS | % 0.00 | 100 |
| | | 0.05 |
| FLEET SECS INC | % 0.01 | 0 |
| | | 0 |
| FOX PITT KELTON INC THRU 0 | % 0.00 | 4950 |
| | | 0.0546 |
| FRANK RUSSELL /BROADCORT T | % 0.04 | 2604 |
| | | 0.06 |
| FRANK RUSSELL SECS THRU 03 | % 0.03 | 1192 |
| | | 0.05 |
| FREIMARK BLAIR & CO INC/BC | % 0.01 | 0 |
| | | 0 |
| FRIEDMAN BILLNGS & RAMSY T | % 0.00 | 0 |
| | | 0 |
| FURMAN SELZ MAGER & CO THR | % 0.00 | 5425 |
| | | 0.0476 |
| GARDNER RECH & CO THRU 079 | % 0.05 | 18943 |
| | | 0.0344 |
| | % 0.18 | |

BROKERS COMMISSIONS
FYE 1999

| | | |
|-----------------------------|----------|--|
| GERARD KLAEUR MATTISON THR | 1715 | |
| | 0.027 | |
| | % 0.01 | |
| GLAZER C L & COMPANY THRU | 2454 | |
| | 0.03 | |
| | % 0.03 | |
| GOLDID PITTS THRU 0501 | 13930 | |
| | 0.0512 | |
| | % 0.13 | |
| GOLDMAN, SACHS & CO. | 144151 | |
| | 0.0309 | |
| | % 1.35 | |
| GOLDSMITH & HARRIS THRU 03 | 0 | |
| | 0 | |
| | % 0.00 | |
| GORDON HASKETT CAP CORP | 210 | |
| | 0.05 | |
| | % 0.01 | |
| GREEN STREET ADVISORS INC | 145 | |
| | 0.05 | |
| | % 0.00 | |
| GRUNTAL & CO INC THRU 0443 | 0 | |
| | 0 | |
| | % 0.00 | |
| GS2 SECURITIES, INC. | 0 | |
| | 0 | |
| | % 0.00 | |
| GUZMAN & COMPANY | 4890 | |
| | 0.06 | |
| | % 0.04 | |
| HERZOG, HEINE, GEDULD, INC | 708 | |
| | 0.0051 | |
| | % 0.01 | |
| HOENIG & CO THRU 0013 | 455 | |
| | 0.05 | |
| | % 0.01 | |
| HOWARD, WEIL, LABOUISSSE TH | 1110 | |
| | 0.06 | |
| | % 0.01 | |
| INFERENTIAL FOCUS THRU 035 | 2070 | |
| | 0.06 | |
| | % 0.02 | |
| INSTINET CORP | 0 | |
| | 0 | |
| | % 0.00 | |
| INSTINET CORP THRU 0067 | 94254.04 | |
| | 0.0312 | |
| | % 0.88 | |
| INSTITUTIONAL SERVICES UNL | 37170 | |
| | 0.06 | |
| | % 0.35 | |
| INVEMED ASS THRU 0352 | 285 | |

BROKERS COMMISSIONS
FYE 1999

| | |
|----------------------------|-------------------------------|
| | 0.05 |
| INVESTMENT TECH GRD THRU 0 | % 0.00 191357.38 0.0277 |
| ISI GROUP INC THRU 0352 | % 1.81 6066 0.0575 |
| ISI GROUP INC THRU 0573 | % 0.05 0 0 |
| JACKSON PARTNERS & ASSOC T | % 0.00 0 0 |
| JANNEY MONTGOMERY SCOTT IN | % 0.00 7915 0.0586 |
| JEFFRIES & CO | % 0.08 16381.5 0.0315 |
| JOHNSON RICE & CO THRU 035 | % 0.15 0 0 |
| JONES & ASSOCS THRU 0226 | % 0.00 618 0.0468 |
| KALB, VOORHIS & CO. | % 0.01 6525 0.05 |
| KEEFE BRU & WOODS INC THRU | % 0.06 18772 0.0508 |
| KING, CL AND ASSOC | % 0.18 0 0 |
| KNIGHT SECURITIES, L P | % 0.00 0 0 |
| LADENBURG THALMAN THRU 022 | % 0.00 60 0.05 |
| LAWRENCE HELFANT, INC. THR | % 0.00 3070 0.05 |
| LAZARD FRERES & CO. | % 0.03 80 0.05 |
| LEGG MASON | % 0.00 965 0.05 |
| LEHMAN BROS PR INC | % 0.01 114641.98 0.0244 |

BROKERS COMMISSIONS
FYE 1999

| | | |
|----------------------------|-----------|--------|
| | % 1.07 | |
| LEWCO SECS FOR HAMBERCH TH | 17007 | 0.055 |
| | % 0.16 | |
| LEWCO SECS FOR WERTHEIM TH | 111230.5 | 0.0564 |
| | % 1.05 | |
| LEWCO SECURITIES CORP | 0 | 0 |
| | % 0.00 | |
| LIPPER ANALYTICAL SEC THRU | 1128 | 0.06 |
| | % 0.01 | |
| LYNCH JONES & RYAN THRU 00 | 26459 | 0.0562 |
| | % 0.25 | |
| M. RAMSEY KING SECURITIES | 13850 | 0.05 |
| | % 0.13 | |
| MAGNA SECURITIES CORP | 0 | 0 |
| | % 0.00 | |
| MALACHI GROUP INC (THE) | 0 | 0 |
| | % 0.00 | |
| MAY DAVIS GROUP INC | 1776 | 0.06 |
| | % 0.02 | |
| MCDONALD & COMPANY SEC INC | 4675 | 0.0518 |
| | % 0.04 | |
| MERRILL LYNCH PROFESS CLEA | 4398 | 0.049 |
| | % 0.04 | |
| MERRILL LYNCH,PIERCE,FENNE | 188171.69 | 0.0372 |
| | % 1.77 | |
| MIDWOOD SECURITIES | 0 | 0 |
| | % 0.00 | |
| MILLER TABAK HIRSCH THRU 0 | 100 | 0.05 |
| | % 0.01 | |
| MORGAN (JP) SECS INC | 52560 | 0.0477 |
| | % 0.49 | |
| MORGAN J P SECS-FIXED INCO | 0 | 0 |
| | % 0.00 | |
| MORGAN KEEGAN & CO INC | 0 | 0 |
| | % 0.00 | |

BROKERS COMMISSIONS
FYE 1999

| | | |
|-----------------------------|-----------|--|
| MORGAN STANLEY & CO INC | 224350.61 | |
| | 0.0248 | |
| | % 2.11 | |
| NATIONAL FINANCE SVCS CORP | 3657 | |
| | 0.03 | |
| | % 0.04 | |
| NATIONSBANC - MONTGOMERY S | 0 | |
| | 0 | |
| | % 0.00 | |
| NATIONSBANK MONTGOMERY SEC | 79794.55 | |
| | 0.0472 | |
| | % 0.75 | |
| NEEDHAM & CO INC THRU 0352 | 0 | |
| | 0 | |
| | % 0.00 | |
| NEUBERGER & BERMAN, LLC | 3473.5 | |
| | 0.0315 | |
| | % 0.03 | |
| NUTMEG SECS THRU 0443 | 1212 | |
| | 0.06 | |
| | % 0.01 | |
| O'NEIL, WILLIAM & CO., INC. | 4137 | |
| | 0.0591 | |
| | % 0.04 | |
| ORMES CAP MKTS/BCC THRU 01 | 0 | |
| | 0 | |
| | % 0.00 | |
| PAINE WEBBER INC | 83192.3 | |
| | 0.0464 | |
| | % 0.78 | |
| PCS SECS INC THRU 0352 | 2847 | |
| | 0.0476 | |
| | % 0.03 | |
| PERSHING DIV DONALDSON, LUF | 159254.36 | |
| | 0.0466 | |
| | % 1.50 | |
| PRUDENTIAL SECS INC | 42406.64 | |
| | 0.0438 | |
| | % 0.40 | |
| PRYOR MCLENDON THRU 0030 | 2764 | |
| | 0.0566 | |
| | % 0.03 | |
| QUAKER SECS INC THRU 0501 | 0 | |
| | 0 | |
| | % 0.00 | |
| RAGEN MACKENZIE | 0 | |
| | 0 | |
| | % 0.00 | |
| RAYMOND JAMES & ASSOCIATES | 0 | |
| | 0 | |
| | % 0.00 | |
| REINHEIMER NORDBERG THRU 0 | 50 | |

BROKERS COMMISSIONS
FYE 1999

| | |
|----------------------------|------------------------------|
| | 0.05 |
| REYNDERS, GRAY & CO INC TH | % 0.00 0 0 |
| ROBERTSON STEPHENS | % 0.00 2345 0.037 |
| ROBINSON HUMPHREY THRU 041 | % 0.02 10595 0.05 |
| ROCHDALE SEC CORP THRU 044 | % 0.10 14314 0.0459 |
| RONEY & CO | % 0.13 0 0 |
| RYAN BECK & CO. THRU 0443 | % 0.00 30 0.05 |
| SALOMON SMITH BARNEY INC. | % 0.00 152668.4 0.0397 |
| SBC WARBURG, INC | % 1.44 54214.09 0.0429 |
| SBK - BROOKS INVESTMENT CO | % 0.51 790 0.05 |
| SCHWAB, CHARLES & CO INC | % 0.01 1635 0.041 |
| SCOTT AND STRINGFELLOW INC | % 0.01 0 0 |
| SEI FINANCIAL THRU 0161 | % 0.00 2958 0.06 |
| SEIDLER COMPANIES (THE) | % 0.03 0 0 |
| SHERWOOD SECURITIES CORP T | % 0.00 15 0.05 |
| SK INTL SECS THRU 0573 | % 0.00 297 0.03 |
| SLOATE WEISMAN MURRAY THRU | % 0.00 0 0 |
| SOUNDVIEW FINL GROUP THRU | % 0.00 7462 0.021 |

BROKERS COMMISSIONS
FYE 1999

| | | | |
|----------------------------|--------|----------|--------|
| SOUTHCOAST CAPITAL LLC | % 0.07 | 2268 | 0.06 |
| SOUTHTRUST BANK IPA | % 0.03 | 395 | 0.05 |
| SOUTHWEST SECS INC THRU 27 | % 0.00 | 0 | 0 |
| SPEAR, LEEDS & KELLOGG | % 0.00 | 43629.15 | 0.0382 |
| SSB INC./SB INC. THRU 0418 | % 0.41 | 0 | 0 |
| STANDARD & POORS SEC THRU | % 0.00 | 25856 | 0.0577 |
| STATE STREET BROKERAGE SVC | % 0.24 | 355 | 0.05 |
| STEPHENS INC | % 0.01 | 0 | 0 |
| SUNTRUST EQUITABLE THRU 05 | % 0.00 | 0 | 0 |
| THOMAS WEISEL PTNS. LLC TH | % 0.00 | 0 | 0 |
| THOMSON INSTITUTIONAL SVCS | % 0.00 | 0 | 0 |
| TRENDALYSIS SECURITIES INC | % 0.00 | 0 | 0 |
| TROSTER SINGER CORP THRU 0 | % 0.00 | 11 | 0.0014 |
| TUCKER ANTHONY R L DAY THR | % 0.00 | 165 | 0.05 |
| U.S. BANCORP PIPER JAFFRAY | % 0.00 | 1474 | 0.0175 |
| UNTERBERG HARRIS THRU 0221 | % 0.01 | 335 | 0.05 |
| US CLEARING INST TRAD | % 0.00 | 5077.5 | 0.0299 |
| | % 0.05 | | |

BROKERS COMMISSIONS
FYE 1999

| | | |
|----------------------------|------------|--|
| VOLPE WELTY & CO THRU 0352 | 235 | |
| | 0.05 | |
| | % 0.00 | |
| WACHOVIA SECURITIES INC | 2927 | |
| | 0.0532 | |
| | % 0.03 | |
| WARBURG DILLON READ LLC | 1510 | |
| | 0.0793 | |
| | % 0.02 | |
| WEEDON & CO THRU 0443 | 69030 | |
| | 0.0446 | |
| | % 0.65 | |
| WEISS, PECK & GREER | 0 | |
| | 0 | |
| | % 0.00 | |
| WELLINGTON H.G. & CO INC | 1230 | |
| | 0.05 | |
| | % 0.01 | |
| WESTMINSTER RESEARCH ASSOC | 0 | |
| | 0 | |
| | % 0.00 | |
| WILLIAMS CAPITAL GROUP, L. | 9913 | |
| | 0.0409 | |
| | % 0.09 | |
| WILSHIRE ASSN NSCC | 3036 | |
| | 0.06 | |
| | % 0.03 | |
| WILSON DAVIS & CO | 0 | |
| | 0 | |
| | % 0.00 | |
| WOLFE & HURST BOND BROKERS | 0 | |
| | 0 | |
| | % 0.00 | |
| TOTAL COMMISSION | 3006975.35 | |

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**INVESTMENT SECTION
PART III**

FISCAL YEAR ENDED JUNE 30, 1999

Investment Section

This section is prepared from data provided by the investment advisors of the Police Pension Fund, and the Comptroller of the City of New York. We wish to express our thanks to Jane Levine, Deputy Comptroller for pension and her staff for providing assistance in the preparation of this section. The information contained herein was prepared in conformance with presentation standards of the association for Investment Management & Research. The Comptroller administers the funds investments subject to the management and control of the Board of Trustees. The investment advisors seek to increase investment returns and provide greater safety for the assets of the fund. The Board of Trustees have the ultimate responsibility of ensuring that all the assets of the fund are managed prudently in compliance with the administrative code of the City of New York and the State Retirement Social Security Laws. The Board monitors and measures market and various other risk factors associated with investments. The performance of investment advisors are reviewed frequently to insure that their activities in securities are consistent with the best practices in the industry.

Investment Policy

Investment Policy are approved by the Board of Trustees. The New York City Comptroller is the Treasurer and Chief Custodian and Investment Advisor to the Board. The primary objective of the Board is to provide retirement and other benefits for its members.

The Board realizes that increasing investment returns will strengthen the fund and significantly enhance benefits enjoyed by members. Increased returns will further assure the safety of assets held in trust for pension benefits. The investment policy adopted by the Board of Trustees is one that minimizes credit and market risks, while maintaining a competitive yield on the funds' portfolio.

Investment Philosophy

The investment philosophy of the Board is influenced by key factors that affect investment and strategy, i.e. Risk Tolerance, Returns, Diversification and Liquidity.

1-Risk Tolerance

The Board shall always act to assure that the level of investment risk in the portfolio will be prudent and not exceed levels that may jeopardize the primary objective.

2>Returns

The Board believes that over the long term there is a relationship between the level of investment risk taken and the rate of investment return realized. In order to enhance the level of returns the assumption of a moderate level of risks is therefore reasonable and justified.

3-Diversification

The Board seeks diversification through investing in a broad array of instruments in order to reduce overall portfolio risks.

Liquidity Requirements

The system anticipates positive cash flow over the near and intermediate term. Liquidity requirements for payment of current and intermediate benefits will therefore not be an issue for the future.

Investment Objectives

The Board has adopted the following general investment objectives in order to enhance returns, providing greater benefits and ensuring the safety of assets held in trust for benefits.

1. In recognition that obligations of the fund will increase as a result of inflation, the Board seeks to maximize the total return on assets held in trust for pension benefits, while operating within the bounds of regulatory restrictions and prudent parameters of risk.
2. The board also aims to protect the system from depreciation of assets during adverse market conditions, and to attain a level of return competitive not only with similar funds but also with the wider market. These results are attained through broad diversification, careful review of risks and emphasis on Long Term results.
3. The Board of Trustees, where possible and not in conflict with other provisions is interested in increased economic activity in local communities. The Comptroller's Office has made substantial efforts to broaden the Pension Fund's activity in economically targeted investments in the City of New York . This will promote growth in communities, while increasing returns. All existing targeted investments are guaranteed by government agencies and earn a rate of return commensurate with risk.

Asset Allocation

The Board's investment policy is implemented using a strategic allocation of assets that meet their objectives, while working within the confines of the Administrative code of New York City and the State Retirement and Social Security Laws. The code authorizes the investment of Plan Assets, except equities, subject to the terms, conditions, limitations and restrictions imposed by law for investment by Savings Banks. The code imposes specific criteria for plan investments. Fixed income investments may be made mostly in U.S. Government securities or agencies backed by the U.S Government, companies rated BBB or better by the Standard and Poor's Corporation or Moody's investment service or in companies on the Legal Investments lists published by the New York Banking Department.

Equity investments may be made only in stocks that meet the qualifications of the State Retirement and Social Security Law. Short Term

Investments may be made in U.S. Government Securities, or other securities fully guaranteed by the Government, commercial paper rated AI or PI or fully collateralized repurchase agreements. Investments are made in a broad array of financial instruments including domestic stocks, bonds and in international securities through a collective fund investment vehicle. Diversification of Investments provides greater security for the assets held in trust enabling the fund to become stronger and to meet its obligation.

The policy mix targeted for the fund in fiscal year 1999 included securities from the following categories: U.S. Equities 45.0 %, U.S. Fixed Income 30.0%, International Equities 19.0%, Emerging Markets 4.0%, Alternative Investments 2.0%.

Investment activities and results for fiscal year 1999 current activities.

During the year several initiatives were taken to increase investment returns and provide greater safety for the funds assets. The Pension Fund continued to diversify assets across different security classes. Exposure to International Equities increased by \$350.04 millions over the previous year. Investment in the Security Lending Program increased at the end of the year by \$85.33 million. All security on loans are fully collateralized with cash or Treasury Securities.

Results

Fiscal year 1999 was a good year for the securities industry and also for the pension system. The overall investment return on assets was 13.1%. The Russell 3000 index returned 20.1% and the Lehman Brothers NYC Fixed Income Index returned 2.61%. Total fund performance was above assumed actuarial rate of return at 8.75% and ahead of the median public fund in America, which returned 10.4%. The total investments during the year increased from \$17,895,276 thousands to \$19,589,171 thousands.

Although assets increased during fiscal year 1999 from \$18,859,300 thousands to \$20,621,468 thousands net investment income decreased from \$2,623,086 thousands to \$1,868,669 thousands. This represented a net decrease from 1998 of 28.8%.

The investment section has included a list of the portfolio's largest holdings. The complete list of the portfolio's holdings can be obtained by writing to Inspector Joseph F. Maccone, Commanding Officer of the Police Pension Section of the New York City Police Department at One Police Plaza, New York, N.Y. 10038.

**NEW YORK CITY POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2**

Year ended June 30, 1999
CONSOLIDATED PERFORMANCE REPORT

Through June 30, 1999

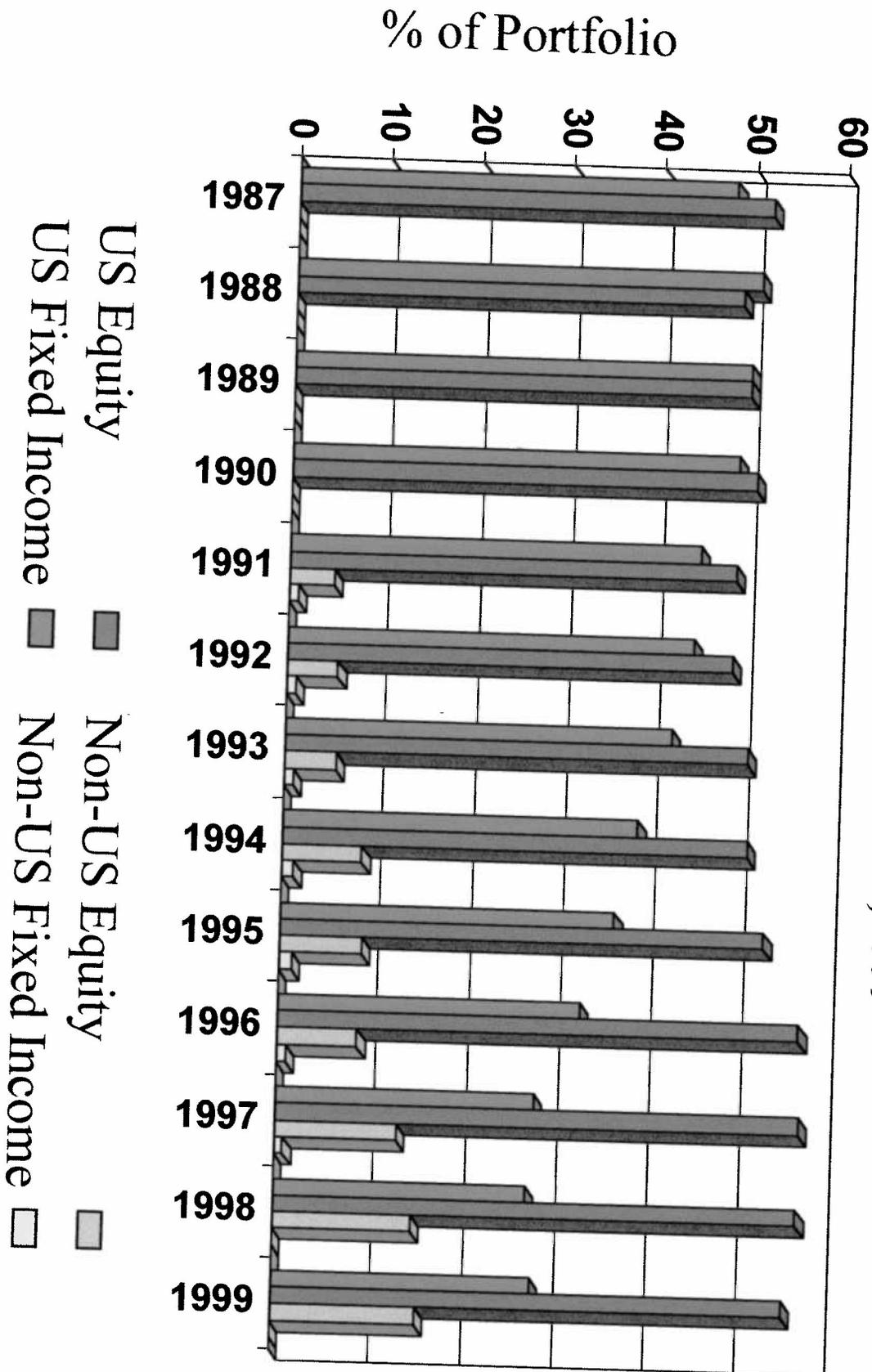
| Assets (\$MM) | % Total | | 3 Mos | YTD | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs | 10Yrs |
|-------------------|------------|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | Apr-99 Jun-99 | Jan-99 Jun-99 | Jul-98 Jun-99 | Jul-96 Jun-99 | Jul-94 Jun-99 | Jul-92 Jun-99 | Jul-89 Jun-98 |
| 9,464.00 | 55.90 | U.S Equities | 7.33 | 10.95 | 18.88 | 25.53 | 25.54 | 20.15 | 17.50 |
| 2,612.00 | 15.43 | Active Equities | 6.17 | 9.67 | 16.28 | 23.59 | 24.64 | 19.32 | 16.69 |
| 6,853.00 | 40.47 | Passive Equities | 7.76 | 11.43 | 19.86 | 26.38 | 25.97 | 20.52 | 17.85 |
| | | SIS U.S Equity Median | 9.89 | 10.80 | 14.87 | 22.69 | 23.86 | 20.12 | 17.24 |
| | | Russell 3000 | 7.70 | 11.36 | 20.10 | 26.41 | 26.03 | 20.67 | 17.93 |
| 2,672.00 | 15.78 | International Equities | 5.09 | 8.90 | 8.81 | 10.96 | 10.78 | n/a | n/a |
| 2,606.00 | 15.39 | International Equities Developed Market | 4.79 | 8.57 | 8.79 | 11.55 | 11.13 | 12.50 | n/a |
| 1,761.00 | 10.40 | Active Equities | 5.59 | 10.71 | 8.95 | 12.56 | 12.50 | 12.96 | n/a |
| 844.00 | 4.99 | Passive Equities | 3.24 | 4.63 | 8.40 | 9.18 | 8.62 | 11.31 | n/a |
| | | TUCS International Equity Median | 6.40 | 9.10 | 7.68 | 10.74 | 11.15 | 12.68 | n/a |
| | | EAFE | 2.45 | 3.88 | 7.64 | 8.75 | 8.20 | 11.11 | n/a |
| 67.00 | 0.39 | Emerging Markets | 17.70 | 22.67 | 9.68 | n/a | n/a | n/a | n/a |
| | | MSCI Emerging Markets Free | 23.62 | 38.40 | 25.19 | n/a | n/a | n/a | n/a |
| | | SIS Emerging Markets Median | 24.54 | 37.73 | 22.30 | n/a | n/a | n/a | n/a |
| 4.15 | 0.02 | Alternative Investments | n/a |
| 4,790.00 | 28.29 | U.S Fixed Income | -0.83 | -1.14 | 2.24 | 7.88 | 8.47 | 7.60 | 8.71 |
| 3,695.00 | 21.82 | Structured Managed Program | -1.23 | -2.12 | 2.24 | 7.85 | 8.32 | 7.49 | 8.66 |
| | | SIS Fixed Income Median | -0.68 | -0.87 | 3.31 | 7.30 | 7.84 | 7.36 | 8.48 |
| | | Lehman Bros NYC Index | -1.21 | -1.93 | 2.61 | 7.63 | 8.43 | 7.48 | 8.55 |
| | | Enhanced Yield | 1.03 | 4.28 | 0.23 | 9.15 | n/a | n/a | n/a |
| | | TUCS Enhanced Yield Median | -0.13 | 3.74 | 2.22 | 9.92 | n/a | n/a | n/a |
| | | Salomon Bros BB&B Rated Index | -0.21 | 1.26 | 0.67 | 9.09 | n/a | n/a | n/a |
| 16,931.00 | 100.00 | Total Portfolio | | | | | | | |
| | | SIS Public Fund Median | 4.74 | 7.27 | 12.68 | 18.24 | 18.15 | 14.94 | 13.77 |
| | | | 4.16 | 5.25 | 9.44 | 15.48 | 16.48 | 14.34 | 13.22 |

**NEW YORK CITY POLICE DEPARTMENT
PENSION FUND - SUBCHAPTER 2
ASSET ALLOCATION 6/30/88 to 6/30/99**

| | <u>US Equity</u> | <u>International Equity</u> | <u>Domestic Fixed</u> | <u>International Fixed</u> | <u>Cash</u> | <u>Total</u> |
|---------|------------------|---------------------------------|---------------------------|--------------------------------|-------------|--------------|
| 6/30/88 | 49.00% | 0.00% | 49.00% | 0.00% | 2.00% | 100.00% |
| 6/30/89 | 50.00% | 0.00% | 47.00% | 0.00% | 3.00% | 100.00% |
| 6/30/90 | 51.00% | 0.00% | 45.00% | 0.00% | 4.00% | 100.00% |
| 6/30/91 | 49.00% | 5.00% | 43.00% | 1.00% | 2.00% | 100.00% |
| 6/30/92 | 48.80% | 5.60% | 41.80% | 1.10% | 2.70% | 100.00% |
| 6/30/93 | 50.80% | 5.70% | 41.30% | 1.10% | 1.10% | 100.00% |
| 6/30/94 | 51.00% | 8.80% | 37.00% | 1.30% | 1.90% | 100.00% |
| 6/30/95 | 53.00% | 9.00% | 34.40% | 1.40% | 2.20% | 100.00% |
| 6/30/96 | 57.08% | 8.77% | 30.25% | 1.06% | 2.84% | 100.00% |
| 6/30/97 | 57.40% | 13.32% | 27.82% | 0.93% | 0.53% | 100.00% |
| 6/30/98 | 57.24% | 15.13% | 27.08% | 0.00% | 0.55% | 100.00% |
| 6/30/99 | 56.00% | 16.00% | 27.00% | 0.00% | 1.00% | 100.00% |

NYC POLICE DEPARTMENT PENSION FUND ASSET ALLOCATION

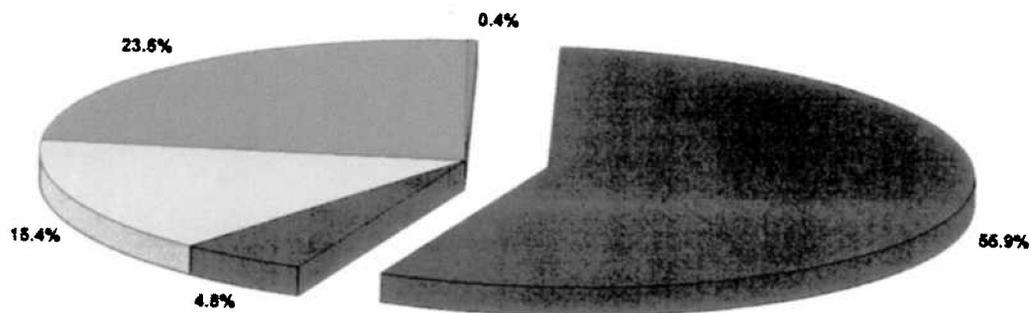
June 30, 1987 - June 30, 1999



NYC Police Department Pension Fund

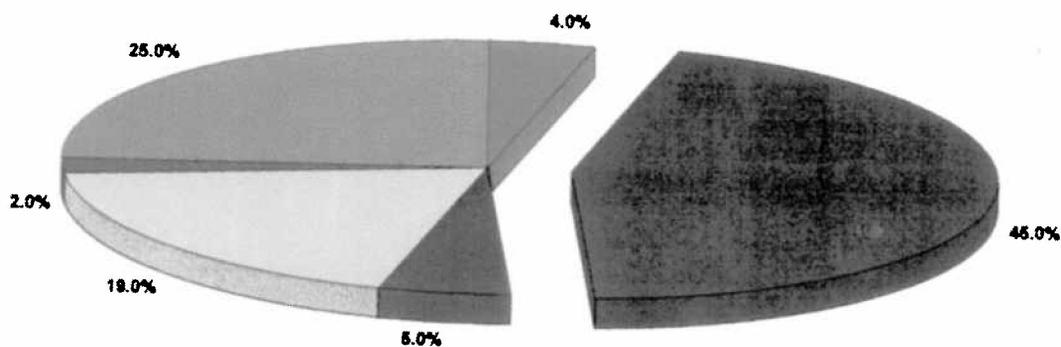
Asset Allocation and Policy Mix

Asset Mix



As of 6/30/99

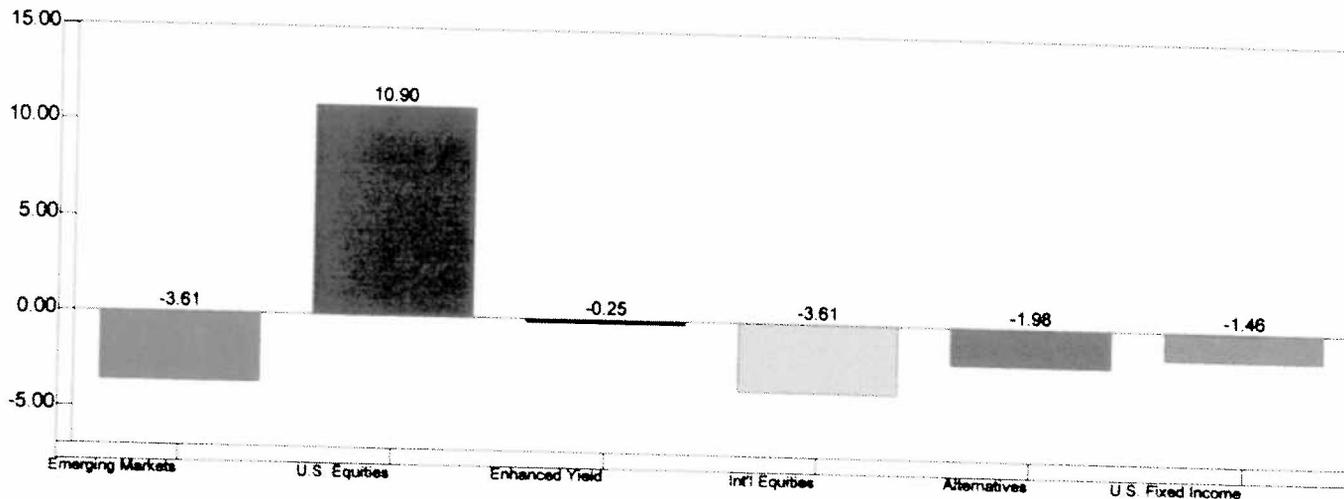
Policy Mix



As of 6/30/99



Asset Mix Relative to Policy Mix



NYC POLICE PENSION FUND ART 2
 FIXED INCOME HOLDINGS as of 6/30/99

| | Interest Rate | Maturity | Units | Market Value | CUSP Number |
|------------------------------------|---------------|----------|-------------|------------------|-------------|
| NEW YORK CITY RETIREMENT SYSTEMS | | | 598,150,325 | \$598,150,325.32 | 990002AD9 |
| FEDERAL HOME LN MTG CORP PC GOLD | 6.5000 | 7/1/29 | 85,410,000 | \$82,477,020.60 | |
| FEDERAL HOME LN MTG CORP PARTN CTF | 6.0000 | 7/1/29 | 82,250,000 | \$78,133,387.50 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 7.0000 | 8/16/29 | 65,500,000 | \$64,777,535.00 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.5000 | 7/1/29 | 55,600,000 | \$53,656,224.00 | |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 6.5000 | 8/24/29 | 47,350,000 | \$45,570,587.00 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 7.0000 | 7/1/29 | 45,175,000 | \$44,676,719.75 | |
| UNITED STATES TREAS NTS DTD 00848 | 5.5000 | 5/15/09 | 39,600,000 | \$38,684,052.00 | 9128275G3 |
| UNITED STATES TREAS BD | 8.8750 | 2/15/19 | 63,205,000 | \$37,288,166.30 | 912810EC8 |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 7.5000 | 8/24/29 | 35,000,000 | \$35,371,875.00 | |
| FEDERAL HOME LN MTG CORP PARTN CTF | 7.0000 | 7/1/29 | 34,295,000 | \$33,934,902.50 | |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 7.0000 | 8/24/29 | 33,750,000 | \$33,325,425.00 | |
| UNITED STATES TREASURY BONDS | 9.3750 | 2/15/06 | 28,775,000 | \$33,273,367.00 | 912810DU9 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.0000 | 7/1/29 | 34,625,000 | \$32,535,035.00 | |
| FEDERAL HOME LN MTG CORP DISC NTS | | 7/15/99 | 32,000,000 | \$31,936,960.00 | 313396JD6 |
| UNITED STATES TREASURY BONDS | 8.1250 | 8/15/19 | 23,823,000 | \$28,773,657.63 | 912810ED6 |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 7.0000 | 7/1/29 | 24,450,000 | \$24,142,419.00 | |
| FEDERAL NAT MTG ASSN | 6.5000 | 4/29/09 | 23,200,000 | \$22,435,096.00 | 31359MER0 |
| UNITED STATES TREAS BDS | 9.2500 | 2/15/16 | 26,485,000 | \$21,230,750.00 | 912810DV7 |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 7.0000 | 7/1/29 | 21,000,000 | \$20,735,820.00 | |
| UNITED STATES TREAS BDS | 8.5000 | 2/15/20 | 15,925,000 | \$19,970,905.50 | 912810EE4 |
| UNITED STATES TREASURY BONDS | 10.0000 | 5/15/10 | 16,300,000 | \$19,417,375.00 | 912810CP1 |
| FEDERAL HOME LN MTG CORP PC GOLD | 6.0000 | 7/1/14 | 19,855,000 | \$19,205,940.05 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 8.0000 | 7/1/29 | 18,425,000 | \$18,934,082.75 | |
| FEDERAL HOME LN MTG CORP PC GOLD | 6.0000 | 7/1/29 | 18,510,000 | \$17,410,135.80 | |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 6.5000 | 7/15/29 | 17,950,000 | \$17,275,439.00 | |
| FEDERAL NAT MTG ASSN | 6.5000 | 4/29/09 | 17,640,000 | \$17,058,409.20 | 31359MER0 |
| UNITED STATES TREASURY BONDS | 7.5000 | 11/15/16 | 21,385,000 | \$16,144,704.75 | 912810DX3 |
| FEDERAL HOME LN MTG CORP | 5.0000 | 1/15/04 | 16,800,000 | \$16,033,416.00 | 3134A2T99 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.0000 | 8/1/29 | 17,000,000 | \$16,024,880.00 | |
| FEDERAL NATL MTG ASSN NT DTD | 5.7500 | 4/15/03 | 16,025,000 | \$15,847,282.75 | 31359MDT7 |
| UNITED STATES TREASURY BOND | 8.1250 | 8/15/21 | 12,860,000 | \$15,679,169.20 | 912810EK0 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.0000 | 3/1/29 | 16,645,786 | \$15,641,045.93 | 31382RRG0 |
| UNITED STATES TREASURY BONDS | 8.0000 | 11/15/21 | 12,500,000 | \$15,072,250.00 | 912810EL8 |
| UNITED STATES TREASURY INFLATION | 3.6250 | 7/15/02 | 14,500,000 | \$14,883,829.50 | 9128273A8 |
| FEDERAL HOME LN MTG CORP PARTN CTF | 6.5000 | 6/15/29 | 14,750,000 | \$14,390,985.00 | |
| UNITED STATES TREAS SEC STRIPPED | | 5/15/08 | 24,000,000 | \$14,076,480.00 | 912833GC8 |
| FEDERAL FARM CR BK CONS SYSTEMWIDE | | 7/2/99 | 13,800,000 | \$13,798,068.00 | 313312HQ6 |
| UNITED STATES TREASURY BONDS | 6.8750 | 8/15/25 | 12,600,000 | \$13,659,156.00 | 912810EV6 |
| FEDERAL NATL MTG ASSN BENCHMARK NT | 5.2500 | 1/15/09 | 14,200,000 | \$12,970,848.00 | 31359MEK5 |
| UNITED STATES TREAS NTS DTD | 3.6250 | 1/15/08 | 12,850,000 | \$12,840,478.15 | 9128273T7 |
| FEDERAL HOME LN BK CONS DISC NTS | | 7/1/99 | 12,800,000 | \$12,800,000.00 | 313384HP7 |
| UNITED STATES TREAS NTS | 6.8750 | 5/15/06 | 12,095,000 | \$12,733,736.95 | 912827X80 |
| FEDERAL HOME LN MTG CORP PARTN CTF | 5.5000 | 7/1/14 | 13,375,000 | \$12,722,968.75 | |
| UNITED STATES TREASURY BONDS | 8.7500 | 5/15/20 | 9,900,000 | \$12,721,500.00 | 912810EF1 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 7.0000 | 7/1/29 | 12,670,000 | \$12,530,249.90 | |
| FEDERAL HOME LN MTG CORP PARTN CTF | 6.0000 | 7/26/06 | 12,500,000 | \$12,242,187.50 | |
| FEDERAL NAT MTG ASAN GTD PASS THRU | 7.5000 | 7/1/29 | 11,930,000 | \$12,056,696.60 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 7.0000 | 7/1/14 | 12,000,000 | \$12,049,920.00 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.5000 | 7/1/14 | 12,050,000 | \$11,881,661.50 | |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 9.0000 | 7/1/29 | 11,200,000 | \$11,859,344.00 | |

NYC POLICE PENSION FUND ART 2
 FIXED INCOME HOLDINGS as of 6/30/99

| | Interest Rate | Maturity | Units | Market Value | CUSP Number |
|------------------------------------|---------------|----------|------------|-----------------|-------------|
| UNITED STATES TREAS BDS DTD | 8.7500 | 5/15/17 | 16,200,000 | \$11,613,528.00 | 912810DY1 |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 6.5000 | 7/21/29 | 12,000,000 | \$11,549,040.00 | |
| FORD MOTOR | 5.1200 | 7/20/99 | 11,000,000 | \$10,965,582.22 | 34539UJL4 |
| MERRILL LYNCH | 5.1300 | 7/20/99 | 11,000,000 | \$10,965,515.00 | 59018KUL3 |
| CHEVRON CORP | 5.1200 | 7/23/99 | 11,000,000 | \$10,960,888.89 | 1667N1UP0 |
| CIT GROUP HOLDINGS | 5.1100 | 7/27/99 | 11,000,000 | \$10,954,719.72 | 12556TUT4 |
| ACCOC CORP OF N. AMERICA | 5.1300 | 7/27/99 | 11,000,000 | \$10,954,542.50 | 04600KUT6 |
| PRUDENTIAL FUNDING CORP | 5.1000 | 7/28/99 | 11,000,000 | \$10,953,250.00 | 74433HUU6 |
| GENERAL ELECTRIC CAPITAL CORP | 5.1200 | 7/28/99 | 11,000,000 | \$10,953,066.67 | 36959JUJ5 |
| HOUSEHOLD FINANCE CORP | 5.1200 | 7/28/99 | 11,000,000 | \$10,953,066.67 | 44181DUU2 |
| COMCAST CABLE | 8.5000 | 5/1/27 | 9,890,000 | \$10,867,329.80 | 20029PAH2 |
| BELLSOUTH TELECOMMUNICATI | | 7/9/99 | 10,400,000 | \$10,369,970.01 | 07815KU94 |
| CSX CORP | 7.4500 | 5/1/07 | 9,950,000 | \$10,127,508.00 | 126408BK8 |
| MEDPARTNERS INC | 7.3750 | 10/1/06 | 11,532,000 | \$10,061,670.00 | 58503XAA5 |
| CHASE MTG FIN CORP 1998-S4 MC MTG | 6.5499 | 8/25/28 | 10,000,000 | \$9,990,900.00 | 16162RAC4 |
| FHA PROJECT 35259-PM-L8 | 7.4300 | 11/1/22 | 9,847,828 | \$9,970,925.80 | **X8UA642 |
| CHEVRON CORP 3(A)3 | 4.9400 | 7/14/99 | 10,000,000 | \$9,968,438.89 | 1667N1UE5 |
| AMER GEN FIN 3 (A) 3 | 4.9500 | 7/13/99 | 10,000,000 | \$9,964,250.00 | 02635SUD7 |
| DUKE ENERGY 3 (A) 3 | 4.9400 | 7/14/99 | 10,000,000 | \$9,962,950.00 | 26440BUE6 |
| GENERAL MILLS 3 (A) 3 | 4.9400 | 7/14/99 | 10,000,000 | \$9,962,950.00 | 37033KUE6 |
| MONSANTO 3(A)3 | 4.9400 | 7/14/99 | 10,000,000 | \$9,962,950.00 | 61166BUE5 |
| BELL ATLANTIC DISC CP 4.95 DUE 7/1 | 4.9500 | 7/13/99 | 10,000,000 | \$9,962,875.00 | 07785FUD2 |
| PRU CP | 4.7500 | 7/19/99 | 10,000,000 | \$9,962,875.00 | 74433HUK8 |
| METLIFE FUNDING DISC CP 4.97 DUE | 4.9700 | 7/13/99 | 10,000,000 | \$9,962,725.00 | 59087BUD7 |
| AMERICAN EXPRESS CC3(A)3 | 4.9400 | 7/14/99 | 10,000,000 | \$9,961,577.78 | 02581SUE9 |
| IBM CREDIT DISC CP 4.94 DUE 7/14/9 | 4.9400 | 7/14/99 | 10,000,000 | \$9,961,577.78 | 44922BUE6 |
| GE CAPITAL 3(A)3 | 4.9500 | 7/14/99 | 10,000,000 | \$9,961,500.00 | 36959JUE1 |
| HOUSEHOLD FIN 3(A)3 | 4.9500 | 7/14/99 | 10,000,000 | \$9,961,500.00 | 44181DUE8 |
| WELLS FARGO DISC CP 4.95 7/14/99 | 4.9500 | 7/14/99 | 10,000,000 | \$9,961,500.00 | 9497F1UE8 |
| COMMERCIAL CDT 3(A)3 | 5.0200 | 7/22/99 | 10,000,000 | \$9,960,955.56 | 20161CUN4 |
| AMERITECH 3 (A) 3 | 4.9400 | 7/19/99 | 10,000,000 | \$9,956,088.89 | 02680KUK2 |
| BANK ONE 3 (A) 3 | 4.9500 | 7/19/99 | 10,000,000 | \$9,956,000.00 | 0642A1UK9 |
| FEDERAL NATL MTG ASSN MEDIUM TERM | 6.4700 | 4/15/09 | 10,280,000 | \$9,815,755.20 | 31364GE70 |
| FORD MOTOR CREDIT CO SENIOR NTS | 5.8000 | 1/12/09 | 10,675,000 | \$9,755,882.50 | 345397SG9 |
| UNITED STATES TREASURY BONDS | 8.0000 | 11/15/21 | 8,000,000 | \$9,646,240.00 | 912810EL8 |
| PROCTER + GAMBLE CO DISC NT | 4.8300 | 7/6/99 | 9,600,000 | \$9,557,496.00 | 74271SU60 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.0000 | 7/1/29 | 10,080,000 | \$9,471,571.20 | |
| UNITED STATES TREAS BONDS | 7.1250 | 2/15/23 | 9,695,000 | \$9,359,424.60 | 912810EP9 |
| FEDERAL NAT MTG ASSN GTD PASS THRU | 6.0000 | 4/1/29 | 9,939,618 | \$9,339,662.56 | 31374TSC4 |
| UNITED STATES TREASURY BONDS | 8.0000 | 11/15/21 | 7,665,000 | \$9,242,303.70 | 912810EL8 |
| FEDERAL HOME LN MTG CORP PARTN CTF | 7.5000 | 8/13/28 | 9,000,000 | \$9,194,040.00 | |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 7.5000 | 7/15/29 | 9,000,000 | \$9,125,640.00 | |
| STUDENT LN MARKETING ASSN | | 6/30/00 | 9,000,000 | \$8,982,900.00 | 86387RB43 |
| RYLAND MTG SECS CORP MTG PARTN | 7.5000 | 11/22/24 | 9,000,000 | \$8,971,830.00 | 783766RK6 |
| GENERAL MOTORS DISC CP 5.03 DUE | 5.0300 | 7/22/99 | 9,000,000 | \$8,964,790.00 | 37042EUN9 |
| SEAGRAM JOSEPH E & SONS INC SR DEB | 7.5000 | 12/15/18 | 9,200,000 | \$8,900,632.00 | 811845AW6 |
| SIMON DEBARTOLO GROUP L P NT REG | 7.0000 | 7/15/09 | 9,150,000 | \$8,648,671.50 | 828783AD2 |
| FEDERAL HOME LN MTG CORP PC GOLD | 6.5000 | 7/1/14 | 8,750,000 | \$8,633,450.00 | |
| UNITED STATES TREAS SEC STRIPPED | | 11/15/05 | 12,570,000 | \$8,632,447.50 | 912833FX3 |
| GOVT NAT MTG ASSN REG POOL #T/B/A | 8.0000 | 7/15/29 | 8,300,000 | \$8,562,280.00 | |
| FEDERAL HOME LN MTG CORP NOTES | 5.7500 | 4/15/08 | 8,900,000 | \$8,478,674.00 | 3134A2DT2 |

NYC POLICE RETIREMENT SYSTEMS ASSET LIST
EQUITY HOLDINGS AS OF 6/30/99

| CUSP Number | Security Description | Units | Market Value | CCIN Number |
|-------------|-----------------------------------|------------|------------------|-------------|
| 369604103 | GENERAL ELEC CO COM | 2,294,775 | \$259,309,575.00 | G087194 |
| 594918104 | MICROSOFT CORP COM (WA) | 2,377,948 | \$214,462,374.22 | M275894 |
| 459200101 | INTERNATIONAL BUSINESS MACHS CORP | 1,306,700 | \$168,890,975.00 | I099794 |
| 17275R102 | CISCO SYS INC COM | 2,294,726 | \$147,867,553.99 | C349M94 |
| 1957109 | AT&T CORP COM | 2,609,953 | \$145,669,306.79 | A596294 |
| 302290101 | EXXON CORP COM | 1,789,800 | \$138,038,325.00 | E234794 |
| 549463107 | LUCENT TECHNOLOGIES INC COM | 2,017,893 | \$136,082,651.27 | L27E394 |
| 589331107 | MERCK & CO COMMON | 1,810,800 | \$133,320,150.00 | M217294 |
| 458140100 | INTEL CORP COM | 2,212,448 | \$131,640,656.00 | I087694 |
| 55268B106 | MCI WORLDCOM INC COM | 1,491,437 | \$128,357,542.53 | MAALP94 |
| 110122108 | BRISTOL MYERS SQUIBB CO COM | 1,758,360 | \$123,855,361.68 | B409P94 |
| 172967101 | CITIGROUP INC COM | 2,370,954 | \$112,620,315.00 | C352194 |
| 60505104 | BANK AMER CORP COM | 1,425,091 | \$104,477,696.48 | BAAL794 |
| 931142103 | WAL MART STORES INC COM | 1,914,200 | \$92,360,150.00 | W009094 |
| 717081103 | PFIZER INC COM | 816,160 | \$88,961,440.00 | P237094 |
| 191216100 | COCA COLA CO COM | 1,410,368 | \$87,442,816.00 | C449994 |
| 26874107 | AMERICAN INTL GROUP INC COM | 729,181 | \$85,496,472.25 | A294994 |
| 478160104 | JOHNSON & JOHNSON COM | 862,550 | \$84,529,900.00 | J044494 |
| 742718109 | PROCTER & GAMBLE CO COM | 903,048 | \$80,597,034.00 | P432394 |
| 16161A108 | CHASE MANHATTAN CORP NEW COM | 927,324 | \$80,213,526.00 | C26EJ94 |
| 78387G103 | SBC COMMUNICATIONS INC | 1,359,570 | \$78,855,060.00 | S000H94 |
| 02364J104 | AMERICA ONLINE INC DEL COM | 711,793 | \$78,297,230.00 | A197K94 |
| 718154107 | PHILIP MORRIS COMPANIES INC COM | 1,753,756 | \$70,479,946.13 | P255394 |
| 887315109 | TIME WARNER INC COM | 953,706 | \$69,262,898.25 | T156L94 |
| 77853109 | BELL ATLANTIC CORP COM | 1,034,702 | \$67,643,643.25 | B182194 |
| 362320103 | GTE CORP COM US\$0.05 | 876,658 | \$66,187,679.00 | G005794 |
| 30954101 | AMERITECH CORP NEW COM | 872,516 | \$64,129,926.00 | A413894 |
| 990002AD9 | NEW YORK CITY RETIREMENT SYSTEMS | 63,377,942 | \$63,377,941.54 | AZZZZ92 |
| 26609107 | AMERICAN HOME PRODUCTS CORP COM | 1,100,700 | \$63,152,662.50 | A292494 |
| 607059102 | MOBIL CORP COM | 637,412 | \$62,944,435.00 | M383894 |
| 437076102 | HOME DEPOT INC COM | 968,798 | \$62,427,405.52 | H193994 |
| 313586109 | FANNIE MAE | 909,900 | \$62,100,675.00 | F070794 |
| 428236103 | HEWLETT PACKARD CO COM | 600,100 | \$60,310,050.00 | H138094 |
| 79860102 | BELLSOUTH CORP COM | 1,307,448 | \$60,306,039.00 | B185894 |
| 984121103 | XEROX CORP COM | 1,020,410 | \$60,268,475.83 | X005594 |
| 06423A103 | BANK ONE CORPORATION NEW COM | 910,045 | \$54,205,010.33 | BAAJW94 |
| 2824100 | ABBOTT LABORATORIES COM. | 1,163,900 | \$52,811,962.50 | A014694 |
| 806605101 | SCHERING PLOUGH CORP COM | 998,700 | \$52,431,750.00 | S102794 |
| 949746101 | WELLS FARGO & CO NEW COM | 1,220,722 | \$52,185,865.50 | WAAD294 |
| 263534109 | DU PONT E I DE NEMOURS & CO COM | 737,400 | \$50,374,006.20 | D265594 |
| 713448108 | PEPSICO INC COM US\$0.01 2/3 | 1,269,000 | \$49,095,072.00 | P198094 |
| 345370100 | FORD MTR CO DEL COM | 863,504 | \$48,734,438.75 | F267594 |
| 247025109 | DELL COMPUTER CORP COM | 1,297,200 | \$47,996,400.00 | D08B694 |
| 532457108 | LILLY ELI & CO COM | 664,924 | \$47,625,181.50 | L142894 |
| 617446448 | MORGAN STANLEY DEAN WITTER | 459,871 | \$47,194,261.38 | MAACB94 |
| 620076109 | MOTOROLA INC.COMMON | 475,092 | \$45,014,967.00 | M474294 |
| 755111408 | RAYTHEON CO CL B | 638,500 | \$45,014,250.00 | RAADF94 |
| 166751107 | CHEVRON CORP COM | 469,900 | \$44,670,103.70 | C283494 |
| 882508104 | TEXAS INSTRUMENTS INC COM | 310,100 | \$44,654,400.00 | T079794 |
| 934488107 | WARNER LAMBERT CO COM | 620,095 | \$42,864,066.88 | W032594 |
| 25816109 | AMERICAN EXPRESS CO COM | 329,282 | \$42,847,820.25 | A263894 |

NYC POLICE RETIREMENT SYSTEMS ASSET LIST
EQUITY HOLDINGS AS OF 6/30/99

| CUSP Number | Security Description | Units | Market Value | CCIN Number |
|-------------|------------------------------------|-----------|-----------------|-------------|
| 852061100 | SPRINT CORP COM | 806,734 | \$42,756,902.00 | S48DU94 |
| 254687106 | DISNEY (WALT) HLDG COMPANY | 1,349,961 | \$41,596,348.29 | D155094 |
| 913017109 | UNITED TECHNOLOGIES CORP COM | 568,277 | \$40,915,944.00 | U209494 |
| 338915101 | FLEET FINL GROUP INC NEW COM | 865,998 | \$38,428,661.25 | F231H94 |
| 580135101 | MCDONALDS CORP COM | 923,120 | \$37,963,310.00 | M166394 |
| 370442105 | GENERAL MOTORS CORP COM | 573,700 | \$37,864,200.00 | G104794 |
| 881694103 | TEXACO INC COM | 599,474 | \$37,392,190.75 | T066694 |
| 268648102 | EMC CORP MASS COM | 662,800 | \$36,454,000.00 | E001394 |
| 866810104 | SUN MICROSYSTEMS INC COM | 523,220 | \$36,036,777.50 | S631094 |
| 585055106 | MEDTRONIC INC COMMON | 434,498 | \$33,836,531.76 | M191794 |
| 494368103 | KIMBERLY CLARK CORP COM | 576,992 | \$32,888,544.00 | K101494 |
| 375766102 | GILLETTE CO COM | 792,384 | \$32,487,744.00 | G167794 |
| 204493100 | COMPAQ COMPUTER CORP COM | 1,366,587 | \$32,371,712.86 | C544994 |
| 58440J104 | MEDIAONE GROUP INC COM | 422,019 | \$31,387,663.13 | MAAKH94 |
| 460146103 | INTERNATIONAL PAPER CO COM | 606,502 | \$30,476,725.50 | I127094 |
| 293561106 | ENRON CORP COM | 366,328 | \$29,947,314.00 | E174O94 |
| 501044101 | KROGER CO COM | 1,043,192 | \$29,144,698.10 | K158394 |
| 20002101 | ALLSTATE CORP COM | 811,690 | \$29,119,378.75 | A17AB94 |
| 313400301 | FREDDIE MAC | 496,400 | \$28,791,200.00 | F070994 |
| 786514208 | SAFEWAY INC COM NEW | 579,630 | \$28,691,685.00 | S016294 |
| 724479100 | PITNEY BOWES INC.COMMON | 445,600 | \$28,629,800.00 | P315694 |
| 68389X105 | ORACLE CORPORATION | 768,405 | \$28,527,035.63 | O076894 |
| 35229103 | ANHEUSER BUSCH COS INC COM | 398,078 | \$28,238,857.16 | A470094 |
| 416515104 | HARTFORD FINL SVCS GROUP INC COM | 468,400 | \$27,313,809.20 | HAABR94 |
| 239753106 | DAYTON HUDSON CORP COM | 419,600 | \$27,274,000.00 | D031894 |
| 260543103 | DOW CHEM CO COM | 214,200 | \$27,176,625.00 | D225594 |
| 1957208 | AT&T CORP COM LIBERTY MEDIA GROUP | 716,592 | \$26,334,756.00 | AABEW94 |
| 291011104 | EMERSON ELEC CO COM | 415,200 | \$26,131,857.60 | E147594 |
| 46008108 | ASSOCIATES FIRST CAP CORP CL A | 582,196 | \$25,689,398.50 | A604P94 |
| 571748102 | MARSH & MCLENNAN COS INC COM | 338,380 | \$25,611,305.44 | M103994 |
| 71813109 | BAXTER INTL INC COM | 418,664 | \$25,381,505.00 | B138Z94 |
| 97023105 | BOEING CO COM | 575,492 | \$25,321,648.00 | B281094 |
| 337358105 | FIRST UNION CORP COM | 530,988 | \$25,022,809.50 | F208494 |
| 716941109 | PHARMACIA & UPJOHN INC COM | 433,310 | \$24,617,641.03 | P227T94 |
| 38222105 | APPLIED MATERIALS INC COM | 327,900 | \$24,223,612.50 | A488794 |
| 812387108 | SEARS ROEBUCK & CO COM | 542,800 | \$24,188,796.40 | S159294 |
| 31162100 | AMGEN INC COM US\$0.0001 | 386,300 | \$23,516,012.50 | A424094 |
| 244199105 | DEERE & CO COM | 597,300 | \$23,406,992.40 | D053994 |
| 285661104 | ELECTRONIC DATA SYS CORP NEW COM | 409,107 | \$23,165,683.88 | E113994 |
| 808513105 | SCHWAB CHARLES CORP NEW COM | 212,200 | \$23,129,800.00 | S11FY94 |
| 64057102 | BANK NEW YORK INC COM F/K/A BANK O | 621,000 | \$22,783,248.00 | B063194 |
| 126650100 | CVS CORP COM | 444,756 | \$22,571,367.00 | C005V94 |
| 194162103 | COLGATE PALMOLIVE CO.COMMON | 227,672 | \$22,425,692.00 | C456594 |
| 200300200 | COMCAST CORP CL A SPL COM | 580,774 | \$22,323,791.01 | C506194 |
| 604059105 | MINNESOTA MINING & MFG CO COM | 255,700 | \$22,230,046.60 | M343794 |
| 55262L100 | MBNA CORP COM US\$0.01 | 724,525 | \$22,188,578.13 | M002F94 |
| 94106L109 | WASTE MGMT INC DEL COM | 410,127 | \$22,044,326.25 | WAADT94 |
| 12490K107 | CBS CORP COM | 495,982 | \$21,606,463.87 | CAAGV94 |
| 364760108 | GAP INC COM | 420,663 | \$21,190,873.44 | G012094 |
| 693475105 | PNC BANK CORP | 359,720 | \$20,728,865.00 | P004194 |
| 125509109 | CIGNA CORP COM | 232,100 | \$20,656,900.00 | C000P94 |

**NEW YORK POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2**

Investment Summary

Year ended June 30, 1999

(In Thousand)

| <u>Type of Investment:</u> | <u>Market Value</u> | <u>Percent of total Market Value</u> |
|--------------------------------|--------------------------|--|
| Fixed Income: | | |
| Corporate Bonds | 1,611,266 | 10% |
| U.S. Governments Securities | 2,644,199 | 15% |
| Other: Foreign | 237,927 | 1% |
| Total Fixed Income | <u><u>4,493,392</u></u> | <u><u>26%</u></u> |
| | | |
| Domestic Equities: | 9,264,005 | 52% |
| | | |
| International Equities | 2,676,535 | 15% |
| | | |
| Short Term investments: | | |
| Short Term Investments | 506,867 | 3% |
| Commercial Paper | 664,028 | 4% |
| Discount Notes | 58,535 | 0% |
| Total Short-Term | <u><u>1,229,430</u></u> | <u><u>7%</u></u> |
| | | |
| Total Market Value* | <u><u>17,663,362</u></u> | <u><u>100%</u></u> |

* Security Lending Transactions of 1,925,811 not included in total

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK**

**ACTUARIAL SECTION
PART IV**

FISCAL YEAR ENDED JUNE 30, 1999



OFFICE OF THE ACTUARY

220 CHURCH STREET • NEW YORK, N.Y. 10013-6301
(212) 442-5775 • FAX: (212) 442-5777

ROBERT C. NORTH, JR.
CHIEF ACTUARY

November 8, 1999

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 Comprehensive Annual Financial
Report ("CAFR") For The Fiscal Year Ended June 30, 1999

Dear Members:

The financial objective of the New York City Police Department, Subchapter Two Pension Fund (the "Plan") 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.

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

Actuarial Assumptions And Methods In Effect June 30, 1998

Provided in this Actuarial Section of the CAFR is a "Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1998." These actuarial assumptions and methods were employed in the June 30, 1998 actuarial valuation that was used to determine Fiscal Year 1999 employer contributions to the Plan.

These actuarial assumptions and methods are the same as those employed in the June 30, 1997 actuarial valuation that was used to determine Fiscal Year 1998 employer contributions to the Plan.

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
November 8, 1999
Page 2

Benefits And Census Data

A summary of the benefits available under the Plan is shown later in this Actuarial Section of the CAFR.

Census data are submitted by the Plan's administrative staff, by the employer's 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.

A summary of the census data as of June 30, 1998 is included in this CAFR. A summary of the census data used in the June 30, 1997 actuarial valuation of the Plan is available in the June 30, 1998 CAFR.

Funded Status

With respect to the funded status of the Plan, included in the Financial Section of the CAFR is a Schedule of Funding Progress (Schedule 1).

Included in the Actuarial Section of the CAFR is a Solvency Test (i.e., Comparative Summary Of Actuarial Values And Percentages Covered By Actuarial Value of Assets) as prescribed by the Government Finance Officers Association ("GFOA"). This Solvency Test represents an alternative approach to describing progress toward funding objectives.

Presentation Style And Sources Of Information

The actuarial information herein is being presented in a manner believed to be consistent with the requirements of the GFOA and with Governmental Accounting Standards Board Statement Number 25 ("GASB 25") which was adopted for financial reporting purposes beginning Fiscal Year 1995.

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
November 8, 1999
Page 3

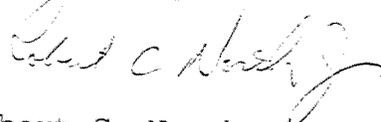
As prescribed by GASB 25, included in the Financial Section of the CAFR are the following schedules:

1. Schedule Of Funding Progress - prepared by the Office of the Actuary.
2. Schedule Of Employer Contributions - prepared by the Plan's Administrative Staff.
3. Actuarial Methods And Assumptions - prepared by the Office of the Actuary.

The following supporting schedules in the Actuarial Section of the CAFR were prepared by the Office of the Actuary.

- Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1998.
- Schedule Of Active Member Valuation Data.
- Schedule Of Retirants And Beneficiaries Added To And Removed From Rolls.
- Schedule Of Actual vs. Required Contributions.
- Comparative Summary Of Actuarial Values And Percentages Covered By Actuarial Value of Assets - Solvency Test.

Respectfully Submitted,



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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998

- (1) The assumed investment return rate is 8.75% per annum.
- (2) The mortality tables for service and disability pensioners were developed from an experience study of the Plan's and the predecessor Plan's pensioners. Sample probabilities are shown in Table 1.
- (3) Active Service tables are used to predict various withdrawals from active service. Sample probabilities are shown in Table 2 for members eligible for Service Retirement and in Table 3 for members not eligible for Service Retirement.
- (4) A Salary Scale is used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The Salary Scale includes an assumed General Wage Increase rate of 4.0% per annum.
- (5) The economic assumptions (i.e., the assumed investment return rate and the General Wage Increase rate) were developed assuming a long-term Consumer Price Inflation assumption of 3.5% per year.
- (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 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 Actuarial Accrued Liability ("UAAL"), 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998
(Continued)

All outstanding components of the UAAL are being amortized over closed periods.

The UAAL was reestablished in accordance with the Actuarial Cost Method as of June 30, 1995 as provided by Chapter 598 of the Laws of 1996 ("Chapter 598/96"), which also provided for schedules of payments toward the UAAL, including the Balance Sheet Liability ("BSL") portion of the UAAL.

The schedules of payments toward the UAAL and BSL established by Chapter 598/96 provide that the UAAL and BSL as of June 30, 1995 be amortized over a period of 15 years beginning Fiscal Year 1996, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

Two UAAL were established under Chapter 119 of the Laws of 1995 ("Chapter 119/95") and Chapter 390 of the Laws of 1998 as of June 30, 1996 and June 30, 1998, respectively. These UAALs are being amortized on a level basis over an effective period of 10 years from December 1996 and September 1998 (i.e., the commencement date of the additional supplemental benefit payments).

In addition, a UAAL credit was established under Chapter 157 of the Laws of 1997 ("Chapter 157/97"). This UAAL is being amortized over a period of 14 years beginning Fiscal Year 1997, where the amount of each annual credit after the first is to equal 103% of the preceding annual credit.

- (8) The Actuarial Asset Valuation Method ("AAVM") was changed as of June 30, 1995 to reflect a market basis for investments held by the Plan. This change was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1995.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998

(Continued)

Under this AAVM, the Actuarial Asset Value ("AAV") was reset to Market Value (i.e., "Market Value Restart") as of June 30, 1995. This AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected (i.e., Unexpected Investment Returns ("UIR")) over five years at a rate of 20% per year (or at a cumulative rate of 20%, 40%, 60%, 80% and 100% over five years).

The AAVM used as of June 30, 1996 is a modified version of that used as of June 30, 1995.

Under this modified AAVM, any UIR for Fiscal Years 1997 or later will be phased into the AAV beginning the following June 30, at a rate of 10%, 15%, 20%, 25% and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70% and 100% over five years). The UIR for Fiscal Year 1996 is being phased into the AAV beginning June 30, 1996 at a cumulative rate of 20%, 35%, 45%, 70% and 100% over five years.

The modification in the AAVM as of June 30, 1996 had no impact on Fiscal Year 1997 employer contributions but impacts employer contributions beginning Fiscal Year 1998.

- (9) Except for the assumed investment return rate, the actuarial assumptions and methods described herein were adopted by the Board of Trustees to be effective for Fiscal Years beginning on and after July 1, 1995 and where required, enacted by the New York State Legislature and Governor as Chapter 598 of the Laws of 1996. These assumptions and methods are based upon recommendations made by the Actuary in a Report dated October 6, 1995. The Actuary's Report took into account an actuarial experience study and recommendations made by the independent actuarial auditor, William M. Mercer, Inc. in a report entitled Report On The Experience Study Of The New York City Retirement Systems For The Four Years Ended June 30, 1993 dated December 29, 1994.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998

(Continued)

The assumed investment return rate, effective for actuarial valuations on and after June 30, 1996, was adopted by the Board of Trustees, enacted by the New York State Legislature and Governor as Chapter 157 of the Laws of 1997 and was consistent with the Actuary's memorandum dated May 24, 1996.

- (10) Distinct male and female probabilities for mortality are used effective June 30, 1995.
- (11) A dual overtime assumption (i.e., a baseline overtime assumption for most years and a separate overtime assumption for the years included in the calculation of Final Average Salary) has been introduced as of June 30, 1995. Baseline overtime of 6% is assumed together with overtime assumptions used in Final Average Salary of:
- 12% for Tier I Service Retirements
 - 9% for Tier II Service Retirements
 - 2% for Tier I Disability Retirements
 - 4% for Tier II Disability Retirements
 - 6% for all other benefits.
- (12) The salary data as of June 30, 1998 presented herein was adjusted to reflect overtime earnings by an assumed baseline overtime rate of 6%.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998
(Continued)

Table 1

Deaths Among Service And Disability Pensioners

Percentage Of Pensioners Dying Within Next Year

| <u>Age</u> | <u>Service Pensioners</u> | | <u>Disability Pensioners</u> | |
|------------|---------------------------|----------------|------------------------------|----------------|
| | <u>Males</u> | <u>Females</u> | <u>Males</u> | <u>Females</u> |
| 40 | .1238% | .0665% | .1946% | .1172% |
| 50 | .4780 | .3200 | .5836 | .3920 |
| 60 | 1.1200 | .8400 | 1.4240 | 1.0200 |
| 70 | 2.7000 | 1.7100 | 3.3876 | 2.1260 |
| 80 | 7.4430 | 4.5300 | 9.2590 | 5.5500 |
| 90 | 19.9360 | 12.0500 | 23.2464 | 14.9900 |
| 100 | 33.4520 | 30.1400 | 38.8512 | 37.5960 |
| 110 | 100.0000 | 100.0000 | 100.0000 | 100.0000 |

Table 2

Retirements And Deaths After Eligibility For Service Benefits

Percentage Of Eligible Active Members Retiring
Or Dying Within Next Year

| <u>Age</u> | <u>Service Retirement</u> | | | <u>Accident</u> <u>Disability</u> <u>Retirement</u> | <u>Ordinary</u> <u>Disability</u> <u>Retirement</u> | <u>Ordinary</u> <u>Death</u> | | <u>Accidental</u> <u>Death</u> |
|------------|---|------------|------------|---|---|---------------------------------|--------------|-----------------------------------|
| | <u>Years Of Service</u> <u>Since Eligibility</u> | <u>0-1</u> | <u>1-2</u> | | | <u>2+</u> | <u>Males</u> | |
| 40 | 32.0000% | 16.0000% | 12.0000% | 1.7400% | .3800% | .1238% | .0665% | .020% |
| 45 | 40.0000 | 20.0000 | 12.0000 | 1.8200 | .4600 | .2183 | .1010 | .020 |
| 50 | 40.0000 | 20.0000 | 12.0000 | 1.8900 | .6600 | .3909 | .1647 | .020 |
| 55 | 40.0000 | 20.0000 | 12.0000 | 2.3900 | 2.4600 | .6131 | .2541 | .010 |
| 60 | 40.0000 | 20.0000 | 20.0000 | 3.2900 | 7.2600 | .9158 | .4241 | .000 |
| 63 | 100.0000 | 100.0000 | 100.0000 | N/A | N/A | N/A | N/A | N/A |

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1998
(Continued)

Table 3

Withdrawals From Active Service Before Eligibility For Service Benefits

Percentage Of Active Members Separating Within Next Year

| <u>Age</u> | <u>Withdrawal</u> | <u>Accidental Disability</u> | <u>Ordinary Disability</u> | <u>Ordinary</u> <u>Death</u> | <u>Death</u> | <u>Accidental</u> |
|------------|-------------------|----------------------------------|--------------------------------|------------------------------|----------------|-------------------|
| | | | | <u>Males</u> | <u>Females</u> | <u>Death</u> |
| 20 | 3.160% | .2000% | .0300% | .0377% | .0189% | .020% |
| 25 | 2.650 | .3900 | .0700 | .0464 | .0253 | .020 |
| 30 | 1.290 | .7500 | .2000 | .0607 | .0342 | .020 |
| 35 | 0.550 | 1.5000 | .2500 | .0860 | .0476 | .020 |
| 40 | 0.420 | 1.7400 | .3800 | .1238 | .0665 | .020 |
| 45 | 0.340 | 1.8200 | .4600 | .2183 | .1010 | .020 |
| 50 | 0.320 | 1.8900 | .6600 | .3909 | .1647 | .020 |
| 55 | 0.300 | 2.3900 | 2.4600 | .6131 | .2541 | .010 |
| 60 | 0.100 | 3.2900 | 7.2600 | .9158 | .4241 | .000 |

Table 4

Salary Scale

| <u>Years Of Service</u> | <u>Assumed Annual Percentage Increases Within Next Year*</u> |
|---------------------------------|--|
| 0 | 9.00% |
| 5 | 5.00 |
| 10 | 5.80 |
| 15 | 5.60 |
| 20 | 5.00 |
| 25 | 5.00 |
| 30 | 5.00 |
| 35 | 5.00 |
| 40 | 5.00 |

* Salary Scale includes an assumed General Wage Increase rate of 4.0% per annum.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| <u>VALUATION DATE</u> | <u>NUMBER</u> | <u>ANNUAL PAYROLL*</u> | <u>ANNUAL AVERAGE PAY</u> | <u>PERCENTAGE (DECREASE) IN AVERAGE PAY</u> |
|-----------------------|---------------|------------------------|---------------------------|---|
| 6-30-93 | 28,166 | \$1,379,927,841 | \$48,993 | 0.2% |
| 6-30-94 | 31,059 | 1,478,485,171 | 47,602 | (2.8) |
| 6-30-95 | 36,204 | 1,844,884,786 | 50,958 | 7.1 |
| 6-30-96 | 36,778 | 1,919,993,340 | 52,205 | 2.4 |
| 6-30-97 | 38,217 | 2,036,450,133 | 53,286 | 2.1 |
| 6-30-98 | 38,133 | 2,091,062,671 | 54,836 | 2.9 |

*Annual Payroll was increased by a percentage to reflect overtime earnings, and, where applicable adjusted to be consistent with collective bargaining agreements estimated to be achieved.

The percentage for overtime changed from 4% to 6% beginning June 30, 1995.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

| YEAR ENDED | <u>ADDED TO ROLLS</u> | | <u>REMOVED FROM ROLLS</u> | | <u>ROLLS END OF YEAR</u> | | % INCREASE IN ANNUAL ALLOWANCES | AVERAGE ANNUAL ALLOWANCES |
|------------|-----------------------|-------------------|---------------------------|-------------------|--------------------------|-------------------|---------------------------------|---------------------------|
| | NUMBER | ANNUAL ALLOWANCES | NUMBER | ANNUAL ALLOWANCES | NUMBER | ANNUAL ALLOWANCES | | |
| 6-30-93 | 998 | \$45,172,785 | 626 | \$12,439,872 | 30,342 | \$628,305,926 | 5.5% | \$20,707 |
| 6-30-94* | 1,219 | 42,247,397 | 523 | 8,962,640 | 30,974 | 647,103,008 | 5.4 | 20,892 |
| 6-30-95 | 1,009 | 43,191,422 | 528 | 8,946,990 | 31,455 | 681,347,440 | 5.3 | 21,661 |
| 6-30-96** | 4,875 | 64,254,160 | 895 | 10,156,142 | 35,435 | 735,445,458 | 7.9 | 20,755 |
| 6-30-97 | 853 | 66,419,315 | 1,008 | 12,070,279 | 35,280 | 789,794,494 | 7.4 | 22,386 |
| 6-30-98 | 736 | 38,976,977 | 969 | 13,305,136 | 35,047 | 810,425,042 | 2.6 | 23,124 |

* Prior to June 30, 1994 Rolls at End of Year included all retirants and beneficiaries who were not issued Termination Numbers. It also reflected anticipated benefits for new retirants receiving partial payments prior to finalization of the benefit calculations and anticipated supplemental benefits for service retirees under age 62. Beginning June 30, 1994, these figures represent only those who were on the pensioner payroll as of June 30 and for amounts actually being paid. Had this method been used for June 30, 1993, the figures for Number and Annual Allowances of the Rolls at End of Year would have been 30,278 and \$613,818,251 respectively. The figures for Number Added, Number Removed and Percentage Increase in Annual Allowances for June 30, 1994 are calculated using these revised figures for June 30, 1993.

** Beginning June 30, 1996 figures reflect the inclusion of the former Police Department, Subchapter One Pension Fund members that were merged into the Plan. As of June 30, 1996 there were 3,455 such members.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTUAL VS. REQUIRED CONTRIBUTIONS

(in thousands)

| <u>FISCAL YEAR ENDED</u> | <u>ACTUAL EMPLOYER CONTRIBUTION*</u> | <u>REQUIRED EMPLOYER CONTRIBUTION</u> | <u>EMPLOYER RATE OF CONTRIBUTION**</u> |
|----------------------------------|--|---|--|
| 6-30-94 | \$418,113 ⁽¹⁾ | \$418,113 | 30.300% |
| 6-30-95 | 418,983 ⁽²⁾ | 418,983 | 28.339% |
| 6-30-96 | 562,360 ⁽³⁾ | 562,360 | 30.482% |
| 6-30-97 | 539,844 ⁽⁴⁾ | 539,844 | 28.117% |
| 6-30-98 | 544,199 ⁽⁵⁾ | 544,199 | 26.723% |
| 6-30-99 | 502,060 | 502,060 | 24.010% |

* Represents total employer contributions accrued for fiscal year.

** The employer rates of contribution represent a percentage of the salaries of members who were on payroll as of the preceding June 30th increased to reflect overtime earnings and, where applicable, adjusted to be consistent with collective bargaining agreements estimated to be achieved.

(1) Represents total employer contributions made during Fiscal Year 1994 net of \$29,815 thousand deferred to Fiscal Year 1995 and adjustments for delayed payments.

(2) Represents total employer contributions made during Fiscal Year 1995 net of \$23,376 thousand deferred to Fiscal Year 1996 and reflects impact of Chapter 503 of the Laws of 1995 which provides for the merger of certain assets and liabilities of the Police Department, Subchapter One Pension Fund into the Plan.

(3) Represents total employer contributions made during Fiscal Year 1996 plus \$23,376 thousand deferred from Fiscal Year 1995 and adjustments for delayed payments.

(4) Represents total employer contributions made during Fiscal Year 1997 net of \$42,316 thousand deferred to Fiscal Year 1998 and adjustments for delayed payments.

(5) Represents total employer contributions made during Fiscal Year 1998 plus \$42,316 thousand deferred from Fiscal Year 1997 and adjustments for delayed payments.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES
COVERED BY ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST
(in thousands)

| AS OF JUNE 30 | PENSION BENEFIT OBLIGATION ("PBO") FOR | | | | | PERCENTAGE OF ACTUARIAL VALUES COVERED BY | |
|------------------|---|--|--|--------------------------------------|-------------------------------------|--|-----|
| | ACCUMULATED EMPLOYEE CONTRIBUTIONS (A) | CURRENT RETIRANTS AND BENEFICIARIES (B) | ACTIVE MEMBERS' EMPLOYER FINANCED PORTION (C) | ACTUARIAL VALUE OF ASSETS* (D) | ACTUARIAL VALUE OF ASSETS (A) | (B) | (C) |
| 1993 | \$404,412 | \$5,539,581 | \$3,241,184 | \$7,658,405 | 100% | 100% | 53% |
| 1994 | 484,306 | 5,832,456 | 3,341,541 | 8,137,414 | 100 | 100 | 54 |
| 1995 | 603,172 | 6,466,108 | 3,881,408 | 9,632,930 | 100 | 100 | 66 |
| 1996 | 687,266 | 6,845,419 | 3,875,443 | 10,342,907 | 100 | 100 | 73 |
| 1997 | 766,395 | 7,021,580 | 4,145,516 | 11,237,636 | 100 | 100 | 83 |
| 1998 | 850,917 | 7,333,829 | 4,453,381 | 12,397,792 | 100 | 100 | 95 |

*Prior to June 30, 1995, the fixed income securities were valued on an amortized value. As of June 30, 1995, economic and non-economic assumptions were revised due to experience review.

Also, see following "SOLVENCY TEST - NOTES".

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES
COVERED BY ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST - NOTES

The ultimate test of financial soundness in a retirement system is its ability to pay all of its promised benefits when due. The retirement system's progress in accumulating assets to pay all promised benefits can be measured by comparing the Valuation Assets of the retirement system with Pension Benefit Obligation ("PBO") for:

- (A) Accumulated Member Contributions;
- (B) Current Retirants and Beneficiaries; and
- (C) Active Members' Employer-Financed Portion.

The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service. The PBO was calculated in accordance with previously issued Government Accounting Standards Board Statement No. 5.

This comparative summary allocates assets as if they were priority groups, somewhat similar to (but not identical with) the priority categories of Section 4044 of the Employee Retirement Income Security Act of 1974.

The values in the table are dependent upon census data, benefit levels (which have changed on occasion over the past years), and the actuarial assumptions and methods employed at each valuation date. These underlying bases can be found within the Comprehensive Annual Financial Report for each respective year.

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

| <u>Valuation Date</u> <u>June 30</u> | <u>Assumed Annual Rate Of Return On Investments</u> | <u>Merit And Promotion Increases Plus An Assumed General Wage Increase Per Year Of</u> |
|---|---|--|
| 1993 | 8.50% | 5.5% |
| 1994 | 8.50 | 5.5 |
| 1995 | 8.50 | 4.0 |
| 1996 | 8.75 | 4.0 |
| 1997 | 8.75 | 4.0 |
| 1998 | 8.75 | 4.0 |

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SUMMARY OF PLAN PROVISIONS IN EFFECT AS OF JUNE 30, 1998

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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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 - The New York City 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:

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

I. SERVICE RETIREMENT

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

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

Upon retirement after having become eligible for service retirement 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:

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (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 but for not more than the last ten years of such service, and

- (ii) a pension for ITHP which is the actuarial equivalent of the reserve for ITHP less the reserve for ITHP at the minimum service date with interest to the date of retirement.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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 years of service not exceeding 10 years 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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. ACCIDENTAL 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 and ITHP reserve are paid to his/her estate or designated beneficiary.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

VII. DEPENDENT BENEFIT

Upon the death of such 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

Supplemental Retirement Allowances are payable to members who retired prior to Calendar Year 1990 and either retired for disability, attained age 62 or attained age 55 after being retired for 10 or more years.

The benefit is equal to a percentage, ranging from 0.8% to 947.6%, depending on the Calendar Year of retirement, of the first \$12,500 of the retirement allowance entitled had the member not elected any optional forms of benefit.

The Supplemental Retirement Allowance is payable during the life of the retired member. One half of the amount is also payable after the member's death and during the life of the spouse beneficiary if such retired member 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 retired member, and where the death of such retired member occurred or occurs more than thirty days after the effective date of the retirement of such member.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

IX. 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 in a lump sum. With respect to members who joined after June 30, 1973, this option is only available with respect to the annuity benefit derived from the member's accumulated deductions.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (b) With respect to members who join or joined after June 30, 1973, a five-year or ten-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 the guarantee period, the benefit that would have been payable had the member survived shall continue to the designated beneficiary or estate for the balance of the guarantee period.
- (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. MEMBER 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 at membership and plan, as well as the tables in effect for such purpose, is determined so as to provide an annuity of 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

II. EMPLOYER CONTRIBUTIONS

The frozen entry age actuarial cost method 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 \$502,060,479 for the Fiscal Year Ended June 30, 1999.

**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK**

**STATISTICAL SECTION
PART V**

FISCAL YEAR ENDED JUNE 30, 1999

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

| <u>DATE</u> | <u>SERVICE RETIREMENT BENEFITS</u> | | <u>ORDINARY (NON-DUTY) DISABILITY BENEFITS</u> | | <u>ACCIDENTAL (DUTY) DISABILITY BENEFITS</u> | |
|-------------|------------------------------------|---------------------------------|--|---------------------------------|--|---------------------------------|
| | <u>NUMBER</u> | <u>AVERAGE ANNUAL ALLOWANCE</u> | <u>NUMBER</u> | <u>AVERAGE ANNUAL ALLOWANCE</u> | <u>NUMBER</u> | <u>AVERAGE ANNUAL ALLOWANCE</u> |
| 6-30-93 | 17,390 | \$17,672 | 4,282 | \$21,045 | 8,178 | \$27,582 |
| 6-30-94* | 17,866 | 17,942 | 4,211 | 21,084 | 8,375 | 27,705 |
| 6-30-95 | 18,119 | 18,672 | 4,168 | 21,505 | 8,623 | 28,675 |
| 6-30-96** | 19,011 | 19,148 | 4,200 | 21,696 | 8,969 | 29,559 |
| 6-30-97 | 18,929 | 20,832 | 4,178 | 22,833 | 9,175 | 31,050 |
| 6-30-98 | 18,793 | 21,446 | 4,141 | 23,110 | 9,322 | 31,835 |

* Prior to June 30, 1994, Number and Average Annual Allowance included all pensioners and survivors who were not officially terminated. Beginning with June 30, 1994, Number and Average Annual Allowance include only those who were on pensioner payroll as of the valuation date.

** Prior to June 30, 1996, Number and Average Annual Allowance exclude former members of the Police Department, Subchapter One Pension Fund. Beginning June 30, 1996, Number and Average Annual Allowance include former members of the Police Department, Subchapter One Pension Fund.

New York Police Department Pension Fund - Subchapter 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE
(In Thousands)

BENEFIT PAYMENTS

| Fiscal Year | Service & Disability Retirement | Ordinary Death in Service | Payments for Death After Retirement | Line of Duty Deaths | Total |
|--------------------|--|----------------------------------|--|----------------------------|--------------|
| 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 |
| 06/30/94 | 645,751 | 3,774 | 2,905 | 3,116 | 655,546 |
| 06/30/95 | 675,120 | 6,203 | 2,070 | 4,828 | 688,221 |
| 06/30/96 | 729,956 | 9,503 | 3,528 | 459 | 743,446 |
| 06/30/97 | 777,973 | 8,313 | 992 | 3,650 | 790,928 |
| 06/30/98 | 827,670 | 5,901 | 1,319 | 3,913 | 838,803 |
| 06/30/99 | 871,621 | 2,491 | 7,867 | 8,609 | 890,588 |

NEW YORK CITY POLICE PENSION - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1999

SERVICE RETIREMENT

| AGE | MEN | | WOMEN | |
|----------|---------------------|--------------------------|---------------------|--------------------------|
| | NUMBER OF RETIRANTS | AVERAGE ANNUAL ALLOWANCE | NUMBER OF RETIRANTS | AVERAGE ANNUAL ALLOWANCE |
| UNDER 30 | 0 | \$ 0 | 0 | \$ 0 |
| 30 to 34 | 0 | 0 | 0 | 0 |
| 35 to 39 | 0 | 0 | 0 | 0 |
| 40 to 44 | 10 | 29,335 | 2 | 27,189 |
| 45 to 49 | 1069 | 29,894 | 15 | 29,378 |
| 50 to 54 | 2780 | 28,196 | 67 | 29,699 |
| 55 to 59 | 3984 | 25,178 | 68 | 28,835 |
| 60 to 64 | 2649 | 21,648 | 39 | 25,614 |
| 65 to 69 | 2287 | 18,011 | 31 | 18,312 |
| 70 to 74 | 2278 | 15,479 | 32 | 13,335 |
| 75 to 79 | 1880 | 14,331 | 28 | 13,357 |
| 80 to 84 | 1005 | 15,057 | 15 | 13,340 |
| 85 to 89 | 318 | 16,547 | 4 | 16,437 |
| 90 & up | 232 | 15,931 | 0 | 0 |

NEW YORK CITY PENSION - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1999

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

| AGE | MEN | | WOMEN | |
|--------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | NUMBER OF RETIRANT: | AVERAGE ANNUAL ALLOWANCE | NUMBER OF RETIRANT: | AVERAGE ANNUAL ALLOWANCE |
| UNDER 30 | 2 | \$10,680 | 0 | \$0 |
| 30 to 34 | 28 | 16,953 | 17 | 15,331 |
| 35 to 39 | 106 | 19,160 | 39 | 17,987 |
| 40 to 44 | 89 | 20,151 | 45 | 20,581 |
| 45 to 49 | 165 | 14,328 | 25 | 18,828 |
| 50 to 54 | 468 | 13,350 | 14 | 14,191 |
| 55 to 59 | 619 | 15,347 | 13 | 14,668 |
| 60 to 64 | 394 | 24,876 | 18 | 12,345 |
| 65 to 69 | 602 | 32,307 | 12 | 22,988 |
| 70 to 74 | 763 | 29,717 | 10 | 23,502 |
| 75 to 79 | 464 | 26,646 | 16 | 16,858 |
| 80 to 84 | 185 | 23,110 | 5 | 29,615 |
| 85 to 89 | 34 | 20,088 | 0 | 0 |
| 90 & up | 8 | 15,394 | 0 | 0 |

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 1999

ACCIDENT DISABILITY RETIREMENT

| AGE | MEN | | WOMEN | |
|----------|--------------------|--------------------------|--------------------|--------------------------|
| | NUMBER OF RETIRANT | AVERAGE ANNUAL ALLOWANCE | NUMBER OF RETIRANT | AVERAGE ANNUAL ALLOWANCE |
| UNDER 30 | 22 | \$28,779 | 4 | \$26,948 |
| 30 to 34 | 250 | 36,695 | 61 | 35,003 |
| 35 to 39 | 766 | 38,095 | 111 | 36,182 |
| 40 to 44 | 582 | 37,802 | 87 | 35,612 |
| 45 to 49 | 824 | 33,014 | 42 | 30,616 |
| 50 to 54 | 1742 | 30,335 | 45 | 30,239 |
| 55 to 59 | 1822 | 30,138 | 26 | 32,788 |
| 60 to 64 | 894 | 31,643 | 12 | 31,034 |
| 65 to 69 | 747 | 32,809 | 3 | 19,072 |
| 70 to 74 | 689 | 29,279 | 10 | 32,467 |
| 75 to 79 | 391 | 25,335 | 0 | 0 |
| 80 to 84 | 145 | 22,917 | 3 | 22,037 |
| 85 to 89 | 33 | 21,615 | 0 | 0 |
| 90 & up | 11 | 20,142 | 0 | 0 |

New York City Police Pension Fund- Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1999

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

| AGE | MEN | | WOMEN | |
|----------|------------------------|--------------------------|-------------------------|--------------------------|
| | NUMBER OF BENEFICIARIE | AVERAGE ANNUAL ALLOWANCE | NUMBER OF BENEFICIARIES | AVERAGE ANNUAL ALLOWANCE |
| UNDER 30 | 1 | \$13,586 | 5 | \$18,791 |
| 30 to 34 | 0 | 0 | 4 | 14,480 |
| 35 to 39 | 0 | 0 | 5 | 18,071 |
| 40 to 44 | 0 | 0 | 3 | 17,294 |
| 45 to 49 | 1 | 21,298 | 8 | 21,542 |
| 50 to 54 | 0 | 0 | 13 | 20,612 |
| 55 to 59 | 1 | 11,782 | 20 | 16,867 |
| 60 to 64 | 0 | 0 | 27 | 14,225 |
| 65 to 69 | 0 | 0 | 65 | 10,549 |
| 70 to 74 | 0 | 0 | 111 | 8,403 |
| 75 to 79 | 0 | 0 | 211 | 5,656 |
| 80 to 84 | 0 | 0 | 470 | 3,879 |
| 85 to 89 | 0 | 0 | 765 | 3,273 |
| 90 & up | 1 | 26,198 | 782 | 3,200 |

New York Police Department Pension Fund - Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1999

BENEFICIARIES OF PENSIONERS KILLED IN
ACTUAL PERFORMANCE OF DUTY

| AGE | MEN | | WOMEN | |
|----------|-------------------------|--------------------------|-------------------------|--------------------------|
| | NUMBER OF BENEFICIARIES | AVERAGE ANNUAL ALLOWANCE | NUMBER OF BENEFICIARIES | AVERAGE ANNUAL ALLOWANCE |
| UNDER 30 | 0 | | | |
| 30 to 34 | 0 | \$0 | 6 | \$24,373 |
| 35 to 39 | 0 | 0 | 5 | 22,423 |
| 40 to 44 | 0 | 0 | 9 | 23,217 |
| 45 to 49 | 0 | 0 | 11 | 24,344 |
| 50 to 54 | 0 | 0 | 31 | 17,209 |
| 55 to 59 | 1 | 23,528 | 44 | 13,973 |
| 60 to 64 | 0 | 0 | 51 | 12,953 |
| 65 to 69 | 2 | 21,547 | 31 | 10,145 |
| 70 to 74 | 0 | 0 | 43 | 8,846 |
| 75 to 79 | 1 | 22,227 | 25 | 7,382 |
| 80 to 84 | 0 | 0 | 21 | 6,811 |
| 85 to 89 | 0 | 0 | 7 | 5,731 |
| 90 & up | 0 | 0 | 7 | 5,206 |
| | | | 3 | 5,132 |

New York Police Department Pension Fund - Subchapter 2

Expense by Type (Unaudited)

(in Thousands)

| Fiscal Year Ended 30-Jun | Benefit Payments(1) | Refund | Total | Employer Contributions as a Percentage of Annual Covered Payroll |
|---|--------------------------------|---------------|--------------|---|
| 1992 | 600,430 | 357 | 600,787 | 31.6 |
| 1993 | 618,308 | 1,104 | 619,412 | 32.5 |
| 1994 | 655,546 | 322 | 655,868 | 28 |
| 1995 | 688,223 | 321 | 688,544 | 22.5 |
| 1996 | 743,118* | 328 | 743,446 | 30.1 |
| 1997 | 790,230* | 698 | 790,928 | 27.6 |
| 1998 | 837,802* | 1,001 | 838,803 | 26.1 |
| 1999 | 889,961 | 627 | 890,588 | 23.3 |

* Includes administrative expenses \$ 3,000 for 1996, \$8,000 for 1997 \$ 10,445 for 1998 and \$ 5,436 for 1999

(1) Includes transfers to Police Officers' and Police Superior Officers' Officers' Variable Supplements Funds.