New York City Police Department Police Officers' Variable Supplements Fund

Financial Statements as of and for the
Years Ended June 30, 2013 and 2012, and
Independent Auditors' Report

NEW YORK CITY POLICE DEPARTMENT
POLICE OFFICERS'
VARIABLE SUPPLEMENTS FUND

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
New York City Police Department Police Officers'
Variable Supplements Fund:

Report on the Financial Statements

We have audited the accompanying statements of plan net position of the New York City Police Department Police Officers' Variable Supplements Fund (the "Plan") as of June 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position as of June 30, 2013 and 2012, and the changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

October 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2013, AND 2012

The narrative discussion and analysis of the financial activities of the New York City Police Officers' Variable Supplements Fund (POVSF, the "Fund" or the "Plan") for the fiscal years ended June 30, 2013, and 2012 is presented by management as an introduction to the basic financial statements. It is meant to assist the reader in understanding the Fund's financial statements by providing an overall review of financial activities during the year and the effects of significant changes, as well as a comparison with the prior year's activities and results.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The basic financial statements are:

- **The Statement of Plan Net Position** — presents the financial position of the Plan at fiscal year-end. It provides information about the nature and amounts of resources with present service capacity that the Plan presently controls (assets), consumption of net assets by the Plan that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Plan has little or no discretion to avoid (liabilities), and acquisition of net assets by the Plan that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- **The Statement of Changes in Plan Net Position** — presents the result of activities during the year. All changes affecting the assets and the liabilities of the Plan are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flow. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.

- **The Notes to Financial Statements** — provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes present information about the Plan's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

The financial statements are prepared in accordance with Governmental Accounting Standards Board Pronouncements (GASB).

FINANCIAL HIGHLIGHTS

- The Fund's total assets exceeded its liabilities by $393.4 million, and $475.2 million, as of June 30, 2013, and 2012, respectively.

- In fiscal year 2013, the Fund's Net Position Held in Trust for Benefits decreased by $81.8 million or 17.2% compared to fiscal year 2012. In fiscal year 2012, the Fund's Net Position Held in Trust for Benefits decreased by $135.8 million or 22.2% compared to fiscal year 2011. Plan Net Position Held in Trust for Benefits decreased in fiscal year 2013 due to the decrease in fair value of investments.

- Benefit payments totaled $147.2 million for fiscal year 2013 compared to $142.8 million for fiscal year 2012. This reflects an increase of 3%, which is primarily due to the increase in the number of the retirees. Benefit Payments in the amount of $142.8 million paid in fiscal year 2012 represented an increase of 5% from year 2011.

PLAN NET POSITION

The Statements of Plan Net Position for fiscal years 2013, and 2012, showed total assets exceeded total liabilities by $393.4 million, and $475.2 million, respectively. This represents total Fund Net Position Held in Trust for Benefits. This amount is available to cover the Fund's obligation to pay benefits to the Fund's members.

This year the Fund's Net Position Held in Trust for Benefits decreased by $81.8 million or 17.2% compared to fiscal year 2012. For the prior fiscal year 2012, the Fund's Net Position Held in Trust for Benefits decreased by $135.8 million or 22.2% compared to fiscal year 2011.

The Fund's 2013 outstanding liabilities of $174 million increased by 6% compared to fiscal year 2012. The Fund's 2012 outstanding liabilities of $164 million decreased by 8% compared to fiscal year 2011. Total liabilities consist of outstanding securities lending transactions of 28% and 25%, accrued benefits payable 41% and 42% and payable for investment securities purchased of 31% and 32% for fiscal years 2013 and 2012, respectively.

The Fund Investment Portfolio decreased by 11.1% during fiscal year 2013, and also decreased by 20.5% during fiscal year 2012 due to a downturn in the economy.

Plan Net Position
June 30, 2013, 2012, and 2011
(in thousands)

	2013	2012	2011
Cash	$ 46	$ 295	$ 6
Receivables	27,420	31,258	9,601
Investments, at fair value	491,994	566,050	712,343
Collateral from Securities Lending Transactions	47,982	41,372	66,363
Total Assets	567,442	638,975	788,313
Accounts Payable and Other Liabilities	126,032	122,367	110,890
Payables for Securities Lending Transactions	47,982	41,372	66,363
Total Liabilities	174,014	163,739	177,253
Plan Net Position Held in Trust for Benefits	$ 393,428	$ 475,236	$ 611,060

The Plan's receivables and payables related to Investment Securities are primarily generated through the timing of the difference between the trade and settlement dates for investment securities purchased or sold.

Investment Summary
Fair Value
June 30, 2013, 2012, and 2011
(in thousands)

	2013	2012	2011
Short-term Investments/Discount Notes	$ 30,047	$ 44,270	$ 19,253
Debt Securities	127,510	133,599	218,070
Equity Securities	334,411	307,050	349,172
Mutual Fund: International Equity	26	81,131	115,449
Mutual Fund: Treasury Inflation-Protected Securiti	-	-	10,399
Collateral from Securities Lending Transactions	47,982	41,372	66,363
Total Investments	$ 539,976	$ 607,422	$ 778,706

CHANGES IN PLAN NET POSITION

Additions — The overall activities of the Fund shown in the Statements of Changes in Plan Net Position are reflected in the difference between total additions and total deductions resulting in a net decrease of $81.8 million for the fiscal year 2013 and a net decrease of $135.8 million for the fiscal year 2012. The following items represent the components of this difference: net investment income $65.4 million and benefit payments of $147.2 million for 2013, and net investment income $7.0 million and benefit payments of $142.8 million for 2012.

Deductions — All administrative expenses are paid by The City of New York and not charged to the Fund. For fiscal year 2013 deductions totaled $147.2 million and $142.8 million was paid in fiscal year 2012. This shows an increase of $4.3 million or 3% compared to the prior fiscal year, and an increase of $6.3 million or 5% compared to 2011. In addition, benefit payments increased substantially this year primarily as a result of an increase in the number of retirees paid.

Changes in Plan Net Position
Years Ended June 30, 2013, 2012, and 2011
(in thousands)

	2013	2012	2011
ADDITIONS:			
Investment income:			
Interest income	$ 4,365	$ 5,771	$ 9,552
Dividend income	7,777	9,284	9,907
Net appreciation (depreciation) in fair value of investments	52,779	(8,446)	126,209
Total investment income	64,921	6,609	145,668
Less investment (income)/expense	-	11	(147)
Net income	64,921	6,598	145,815
Securities lending transactions:			
Securities lending income	424	409	475
Securities lending fees	(78)	(27)	(58)
Net securities lending income	346	382	417
Other: Litigation Income	90	-	-
Net investment income (loss)	65,357	6,980	146,232
DEDUCTIONS — Benefits payments (Note 1)	147,165	142,804	136,527
NET (DECREASE) INCREASE IN PLAN NET POSITION	(81,808)	(135,824)	9,705
PLAN NET POSITION HELD IN TRUST FOR BENEFITS: BEGINNING OF YEAR	475,236	611,060	601,355
END OF YEAR	$ 393,428	$ 475,236	$ 611,060

FUNDING AND PLAN BENEFITS

The New York City Police Pension Fund (POLICE) is the source of funding for the Fund.

For Fiscal Years 2013, 2012, and 2011 there were no transfers from POLICE to the Fund.

Plan benefits are paid once a year, in December, according to a schedule which, in general, increases annually by $500 up to a maximum of $12,000. Tier A members, those hired before July 1, 1988, and Tier B members, those hired after June 30, 1988, are under different schedules. Tier A eligible Police Officer retirees began receiving the maximum scheduled benefit of $12,000 in December 2007. Tier B eligible Police Officer retirees began receiving the maximum $12,000 benefit in December 2008.

All data pertaining to benefits and other information concerning the Fund is discussed in detail in the notes to the financial statements.

The Administrative Code of The City of New York (ACNY) provides that POLICE transfer to the Fund an amount equal to certain excess earnings on equity investments, limited to the unfunded Accumulated Benefit Obligation (ABO) of the Fund. Excess earnings are defined as the amount by which earnings on equity investments of POLICE exceed what those earnings would have been had such Funds been invested at a yield comparable to that available from Fixed-Income Securities (Hypothetical Fixed Income Security Earnings) less any cumulative deficiencies. The Fund also receives credit for investment earnings on Fund assets.

The calculation of the Hypothetical Fixed Income Security Earnings requires the determination of the Hypothetical Interest Rate (HIR), which is computed by the Comptroller (Note 4).

Effective Fiscal Year 2000, the Actuary recommended revision to the calculation of the HIR. This change in methodology would make HIR for POLICE consistent with Chapter 255 of the Laws of 2000 (Chapter 255/00) that modified the methodology for the HIR used for developing the Transferable Earnings Payable from the New York City Employees' Retirement System (NYCERS) to certain Variable Supplements Funds.

Specifically, in recognition that 30-year U.S. Treasury Securities may become less plentiful in the future and subject to market distortion, the Actuary proposed to determine the HIR for Fiscal Year 2000 and later by taking an average of the monthly yields of 10-year U.S. Treasury Notes as published in Federal Reserve Statistical Bulletin H.15 and increasing it by 15%.

At its March 14, 2001, meeting, the Board of Trustees of POLICE adopted this revised methodology for use in connection with the calculation of the HIR for Fiscal Year 2000 and later.

INVESTMENTS

The Board of Trustees of the Fund, in accordance with existing laws, has the authority to determine the manner in which the assets of the Funds are invested. Investments are made by the New York City Comptroller, who acts as custodian of the assets. The primary object of the Fund is to provide benefits for its members and provide for growth in membership and also be prepared for inflation. Investments are made with the objective of minimizing risks and maintaining a high competitive return. Diversification has increased investment results and provided security for the assets of the retirement system. The Comptroller of The City of New York utilizes several investment advisors to manage long-term debt and equity portfolios. Advisors must obtain prior approval before each purchase or sale of a particular security. Investments are valued at fair value. Purchase and sales of securities are reflected on the trade date. No investment in any one security represents 5% or more of Plan Net Position Held in Trust for Benefits.

The Fund is expected to earn a higher long-term rate of return than short-term cash accounts, due to the long-term nature of its liabilities and the diversification of its investment holdings. For the five-year period ended June 30, 2013, the Fund had an annualized return of 6.22%. Investments in assets that are expected to produce higher returns are also subject to greater volatility and may also produce negative returns. Fiscal year 2013 has been a fairly good year for investors. Investments in stock markets within and outside the United States have slightly gained value. For example, the Russell 3000 index, a broad measure of the U.S. stock market, gain 21.46% during this period, and the Europe, Australia and Far East ("EAFE") Index, the most commonly used measure of performance in developed international markets, gained 18.62%. The returns of the Fund have been consistent with these broad market trends and as a result, the asset allocation followed by the Fund produced a combined return of a gain of 14.46%. For the three-year period ended June 30, 2013 the combined return was a gain of 12.99 %, and for the five-year period, it was a gain of 6.22%.

Cash temporarily idle during the year is subject to conservative investment restrictions, and was invested in obligations of the U.S. Treasury and U.S. agency securities, commercial paper, medium term notes, and repurchase agreements. The average maturity of the investments is 15 days. The Fund earned an average yield of 0.20% which compares with the average yield of 0.13% on three-month Treasury Bills and 0.43% for a representative institutional money market Fund.

Assets are invested long-term for the benefit of the Fund's participants and their beneficiaries. All investments are managed by registered investments advisors, pursuant to applicable laws and to guidelines issued by the Comptroller. Collectively the investments utilize one domestic equity manager, and three domestic fixed-income managers. Assets are allocated in accordance with plan policy adopted periodically by the Fund's Board of Trustees. The percentage in each category is determined based on a study indicating the probable rates of return and levels of risk for various assets' allocations. The actual allocation may vary from this policy mix as market values shift and as investments are added or terminated.

Security Lending Transactions — The Board of Trustees permits the Fund to lend its securities to brokers, dealers and others with an agreement to return the collateral for the same securities in the future. In return, it receives collateral in the form of cash, treasury and U.S. Government Securities at 100% to 105% of the principal, plus accrued interest for reinvestment.

Contact Information —This financial report is designed to provide our members and their beneficiaries and others with a general overview of the Fund's finances and show accountability for money it receives. Questions concerning any data provided in this report or request for additional information should be directed to the Chief Accountant, New York City Police Officers' Variable Supplements Fund, 233 Broadway 25th Floor, New York, NY 10279.

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NEW YORK CITY POLICE DEPARTMENT
POLICE OFFICERS'
VARIABLE SUPPLEMENTS FUND

STATEMENTS OF PLAN NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS:		
Cash	$ 46,404	$ 295,471
Receivables:		
Receivables from investment securities sold	26,182,375	29,978,877
Accrued interest and dividends receivable	1,238,042	1,278,631
Total receivables	27,420,417	31,257,508
Investments — at fair value (Notes 2 and 3):		
Securities purchased under agreements to resell	932,908	27,505,218
Short-term investments	15,120,490	15,064,561
Discount notes	13,994,021	1,699,765
Debt securities:		
U.S. government	85,825,385	91,477,605
Corporate	40,882,166	41,456,757
Foreign	801,937	664,492
Equity securities	334,411,076	307,050,513
Mutual fund:		
International equity	25,773	81,130,842
Collateral from securities lending transactions (Note 2)	47,981,970	41,372,276
Total investments	539,975,726	607,422,029
Total assets	567,442,547	638,975,008
LIABILITIES:		
Accounts payable	137,649	8,156
Payable for investment securities purchased	54,435,789	52,806,760
Accrued benefits payable (Note 2)	71,459,325	69,552,277
Securities lending transactions (Note 2)	47,981,970	41,372,276
Total liabilities	174,014,733	163,739,469
PLAN NET POSITION HELD IN TRUST FOR BENEFITS	$393,427,814	$475,235,539

See notes to financial statements.

NEW YORK CITY POLICE DEPARTMENT
POLICE OFFICERS'
VARIABLE SUPPLEMENTS FUND

STATEMENTS OF CHANGES IN PLAN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
ADDITIONS:		
Investment income (Note 2):		
Interest income	$ 4,364,954	$ 5,770,788
Dividend income	7,777,046	9,284,215
Net appreciation in fair value of investments	52,778,814	(8,446,168)
Total investment income	64,920,814	6,608,835
Less investment expense	346	11,195
Net income	64,920,468	6,597,640
Securities lending transactions:		
Securities lending income	424,414	409,892
Securities lending fees	(77,708)	(27,454)
Net securities lending income	346,706	382,438
Other: Litigation Income	90,455	-
Net investment income	65,357,629	6,980,078
DEDUCTIONS — Benefit payments (Note 1)	147,165,354	142,804,614
NET DECREASE IN PLAN NET POSITION	(81,807,725)	(135,824,536)
PLAN NET POSITION HELD IN TRUST FOR BENEFITS:		
Beginning of year	475,235,539	611,060,075
End of year	$393,427,814	$475,235,539

See notes to financial statements.

NEW YORK CITY POLICE DEPARTMENT
POLICE OFFICERS'
VARIABLE SUPPLEMENTS FUND

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

1. PLAN DESCRIPTION

The New York City ("The City") Police Pension Fund administers both the Police Officers' Variable Supplements Fund (POVSF, the "Fund" or the "Plan") and the Police Superior Officers' Variable Supplements Fund (PSOVSF). The Fund operates pursuant to the provisions of Title 13, Chapter 2 of the Administrative Code of The City of New York (ACNY) and provides supplemental benefits to retired Police Officers. To be eligible to receive Fund benefits, Police Officers must retire, on or after October 1, 1968, and be receiving a service retirement benefit from the New York City Police Pension Fund (POLICE).

Except for service retirement, Fund benefits are forfeitable upon separation from service.

The Fund is included in the Pension and Other Employee Benefit Trust Funds section of The City's Comprehensive Annual Financial Report (CAFR).

The PSOVSF is maintained as a separate fund and is not included in these financial statements.

Under current law, the Fund is not to be construed as constituting a pension or retirement system. Instead, it provides defined supplemental payments, other than pension or retirement system allowances, in accordance with applicable statutory provisions. While The City guarantees these payments, the New York State Legislature has reserved to itself and the State of New York (the "State") the right and power to amend, modify, or repeal the Fund and the payments it provides.

At June 30, 2012 and June 30, 2011, the dates of the Fund's most recent actuarial valuations, the Fund's membership consisted of:

	2012	2011
Retirees currently receiving payments	11,746	11,462
Active members*	22,182	21,320
Total	33,928	32,782

* Represents the number of actively employed Police Officers as of the June 30 valuation dates.

The Fund provides a guaranteed schedule of supplemental benefits for Police Officers who retire (or have retired) as Police Officers on service retirement with at least 20 years of service as follows:

a. For those who retired prior to July 1, 1988, the annual benefit was $2,500 in Calendar Year 1988. For those who retired during Calendar Year 1988, the annual $2,500 benefit payment was prorated. The annual benefit increases $500 each year thereafter to a maximum of $12,000 in Calendar Year 2007 and thereafter.

For those who were members of POLICE prior to July 1, 1988 and who retire after Calendar Year 1988, the annual benefit payment is the scheduled amount described above prorated in the year of retirement and the full amount thereafter.

b. For those who become members of POLICE on or after July 1, 1988, the annual supplemental benefit is $2,500 for the first twelve months of retirement, which increases by $500 each year until a maximum of $12,000 is payable in the twentieth and later years of retirement. This was modified by Chapter 503 of the Laws of 1995 (Chapter 503/95) as discussed below.

Chapter 503/95 amended the ACNY in relation to the transfer of assets, liabilities and administration of certain pension funds in the New York City Police Department. In addition, this law permits certain active employees with prior service credit before entering POLICE to utilize their original dates of hire for determining benefits from the Fund. It also provides that police officers who became members of POLICE on or after July 1, 1988 will receive the maximum $12,000 benefit beginning Calendar Year 2008 and thereafter.

Chapter 216 of the Laws of 2002 (Chapter 216/02) provides that participants of the Fund who retire from POLICE on and after January 1, 2002 with more than 20 years of service are entitled to an additional one-time special lump sum payment in the first year following retirement equal to the cumulative Fund benefits that would have been paid after January 1, 2002 had they retired at the completion of their 20th year of service (VSF DROP).

In the past, the New York State Legislature, in recognition of inflation, has increased retirement benefits to retirees of its public pension systems. Any increase in the amount of ad-hoc cost-of-living increases ("Supplementation") or automatic Cost-of-Living Adjustments (COLA) payable from POLICE to a retiree of the Fund under legislation enacted on or after July 1, 1988 will reduce benefits payable from the Fund to such retiree by an amount equal to such increase until the following date:

- For a retiree with a date of membership before July 1, 1988, the later of (a) the first day of the month following the month such retiree attains age 62 and (b) January 1, 2007.

- For a retiree with a date of membership on or after July 1, 1988, the later of (a) the first day of the month following the month such retiree attains age 62 and (b) the earlier of (1) the first day of the month following the 19th anniversary of such retiree's date of retirement and (2) January 1, 2008.

Chapter 119 of the Laws of 1995 (Chapter 119/95) provides additional benefits for Supplementation payable from POLICE on and after December 1, 1996 for certain retirees of POLICE effective as enacted by The City Council on October 25, 1995.

Chapter 390 of the Laws of 1998 (Chapter 390/98) provides additional benefits for Supplementation payable from POLICE on and after September 1, 1998 (with a second increase commencing September 1, 1999).

Chapter 125 of the Laws of 2000 (Chapter 125/00) provides Supplementation benefits from POLICE for certain retirees who retired before Calendar Year 1997 effective September 2000. In addition, Chapter 125/00 provides future COLA increases from POLICE beginning September 2001 and on each subsequent September to eligible retirees.

Chapter 3 of the Laws of 2013 (Chapter 3/13) provides for the transfer of assets from POLICE to the POVSF if assets of the POVSF are insufficient to pay scheduled benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Method Used to Value Investments — Investments are valued at fair value. Trading 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. Fair value is defined as the quoted market value on the last trading day of the period, except for the Short-Term Investment Fund ("STIF") (a money market fund) and the International Investment Funds ("IIF"). The IIF's are privately traded funds, which are managed by various investment managers on behalf of the Plan. Plan management determines fair value of the IIF's based on information provided by the various investment managers. Management records the STIF at cost, which approximates fair value.

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

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

No investment in any one security represents 5% or more of the Fund's net position held in trust for benefits.

The Plan does not possess an investment risk policy statement nor does it actively manage Plan assets to specified risk targets. Rather, investment risk management is an inherent function of our asset allocation process. Plan assets are diversified over a broad range of asset classes and encompass multiple investment strategies aimed at limiting concentration risk.

Contributions — POLICE is the source of funding for the Fund. Section 13-232 of the ACNY states, among other things, how amounts transferred into the Fund shall be computed.

Income Taxes — Income earned by the Fund is not subject to Federal income tax.

Accrued Benefits Payable — Accrued benefits payable represent either: (1) benefits due and unpaid from the preceding payment date of December 15; or (2) benefits deemed incurred and unpaid (an accrual for a portion of the current Calendar Year benefit) for the Fiscal Year-end of June 30.

Securities Lending Transactions — State Statutes and the Fund Board of Trustees policies permit the Fund 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 Fund's custodian lends the following types of securities: short-term securities; common stock; long-term corporate bonds; U.S. Government and U.S. Government agency bonds; asset-backed securities; and international equities and bonds held in collective investment funds. In return, it receives collateral in the form of cash and treasury and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year-end, the Fund had no custodian credit risk exposure to borrowers because the amounts the Fund owed the borrowers exceeded the amounts the borrowers owed the Fund. The contracts with the fund custodian require borrowers to indemnify the Fund if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Fund 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 Fund or the borrowers. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted average maturity of 189 days.

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

Governmental Accounting Standards Board ("GASB") Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires that securities loaned as assets be reported in the statements of plan net position. 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. Liabilities resulting from these transactions are reported in the statements of fund net position. Accordingly, the Fund recorded the investments purchased with the cash collateral as collateral from securities lending transactions with a corresponding liability as securities lending transactions. Securities on loan are carried at market value. The value as of June 30, 2013 and 2012 is $50.0 million and $43.7 million, respectively.

New Accounting Standards Adopted — In fiscal year 2013, the Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The Statement's objective is to provide a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The Plan concluded that except for the change in nomenclature, the adoption of GASB Statement No. 63 had no impact on its financial position and results from operations.

The Plan has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The Plan has determined that GASB Statement No. 65 had no impact on its financial position or results of operations and therefore it is not applicable to its operation at the present time.

New Accounting Standard Issued but Not Yet Effective- In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which: (1) contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms and (3) pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets are also legally protected from creditors of the plan members. For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit*

Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 25 and Statement No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The Plan has not completed the process of evaluating the impact of Statement No. 67 on its financial statements.

3. INVESTMENTS AND DEPOSITS

The Comptroller of The City of New York (the "Comptroller") acts as an investment advisor to the Plan. In addition, the Plan employs several independent investment consultants as investment advisors. The Plan utilizes several investment managers to manage the long-term debt and equity portfolios. The managers are regularly reviewed, with regard to both their investment performance and for their adherence to investment guidelines.

Concentration of Credit Risk — The criteria for Plan investments are as follows:

The Plan does not have any investments in any one entity that represent 5% or more of plan net position.

The legal requirements for Plan investments are as follows:

Fixed income, equity and other investments may be made as permitted by New York State RSSL §§ 176-178(a) and Banking Law § 235, the New York City Administrative Code, and the Legal Investments for New York Savings Banks list as published by The New York State Banking Department, subject to Note 3(b).

Investments up to 25% of total pension fund assets may be made in instruments not expressly permitted by the State RSSL.

Bank of New York Mellon ("BNYM") is the primary custodian for substantially all of the securities of the Plan.

Cash deposits are insured by the Federal Deposit Insurance Corporation for up to $250,000 per Plan member and are, therefore, fully insured.

Credit Risk — Portfolios other than U.S. Government and related portfolios have credit rating limitations. Investment Grade portfolios are limited to mostly ratings of BBB and above except that they are also permitted a 10% maximum exposure to BB & B rated securities. While non-investment grade managers are primarily invested in BB & B rated securities, they can also invest up to 7% of their portfolio in securities rated CCC. Non-rated securities are considered to be non-investment grade. The quality ratings of investments, by percentage of the rated portfolio, as described by nationally recognized statistical rating organizations are as follows:

Investment Type *	S&P Quality Ratings									
June 30, 2013	AAA	AA	A	BBB	BB	B	CCC& Below	Short Term	Not Rated	Total
U.S. Government	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	0.18	3.31	16.90	30.40	2.93	0.07	0.97	-	2.92	57.68
Yankee bonds	0.56	-	-	0.57	-	-	-	-	-	1.13
Short-term:										
Commercial paper	-	-	-	-	-	-	-	1.32	-	1.32
Pooled fund	-	-	-	-	-	-	-	20.13	-	20.13
U.S. Treasuries	-	-	-	-	-	-	-	4.08	-	4.08
U.S. Agencies	-	-	-	-	-	-	-	15.66	-	15.66
Percent of rated portfolio	0.74 %	3.31 %	16.90 %	30.97 %	2.93 %	0.07 %	0.97 %	41.19 %	2.92 %	100.00 %

	S&P Quality Ratings									
June 30, 2012	AAA	AA	A	BBB	BB	B	Below	Term	Rated	Total
U.S. Government	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	0.29	4.24	19.47	19.83	1.60	0.05	0.81	-	2.66	48.95
Yankee bonds	-	0.31	-	0.29	-	-	-	-	0.19	0.79
Short-term:										
Commercial paper	-	-	-	-	-	-	-	32.48	-	32.48
Pooled fund	-	-	-	-	-	-	-	-	17.78	17.78
U.S. Treasuries	-	-	-	-	-	-	-	-	-	-
U.S. Agencies	-	-	-	-	-	-	-	-	-	-
Percent of rated portfolio	0.29 %	4.55 %	19.47 %	20.12 %	1.60 %	0.05 %	0.81 %	32.48 %	20.63 %	100.00 %

* U.S. Treasury Bonds, Notes and Treasury-inflation protected securities are obligations of the U.S. Government or explicitly guaranteed by the U.S. government and therefore not considered to have credit risk and are not included above.

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodian and registered in the Plan's name.

No investment in any one security represents 5% or more of Plan Assets Held in Trust for Benefits.

All of the Plan's deposits are insured and/or collateralized by securities held by a financial institution separate from the Plan's depository financial institution.

All of the Plan's securities are held by the Plan's custodial bank in the Plan's name.

Interest Rate Risk — Interest rate risk is the risk that the fair value of investments could be adversely affected by the change in interest rates. Duration limits are used to control the portfolios exposure to interest rate changes. In the investment grade core Fixed Income portfolios duration is limited to a range of one year shorter than the benchmark duration to 0.75 years longer than the duration of the benchmark indices. Duration range is a measure of the overall portfolio, while statements of the stated maturity reflect the specific maturities of the individual securities held. The Plan has no formal risk policy. The lengths of investment maturities (in years), as shown by the percent of the rated portfolio, are as follows:

Years to Maturity

		Investment Maturities			
Investment Type June 30, 2013	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	54.77 %	0.19 %	1.30 %	6.44 %	46.84 %
Corporate bonds	26.09	2.31	10.19	6.65	6.94
Yankee bonds	0.51	-	-	0.24	0.27
Short-term:					
Commercial paper	0.60	0.60	-	-	-
Pooled fund	9.10	9.10	-	-	-
U.S. Agencies	1.85	1.85	-	-	-
U.S. Agencies	7.08	7.08	-	-	-
Percent of rated portfolio	100.00 %	21.13 %	11.49 %	13.33 %	54.05 %

		Investment Maturities			
Investment Type June 30, 2012	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	51.43 %	- %	0.67 %	3.96 %	46.80 %
Corporate bonds	23.31	0.86	8.62	6.73	7.10
Yankee bonds	0.37	-	-	0.14	0.23
Short-term:					
Commercial paper	15.46	15.46	-	-	-
Pooled fund	8.47	8.47	-	-	-
U.S. Treasuries	0.96	-	-	-	0.96
U.S. Agencies	-	-	-	-	-
Percent of rated portfolio	100.00 %	24.79 %	9.29 %	10.83 %	55.09 %

Foreign Currency Risk — Foreign currency risk is the risk that changes in the exchange rates will adversely impact the fair value of an investment. Currency risk is present in underlying portfolios that invest in foreign stock and/or bonds. The currency markets have proven to be good diversifiers in a total portfolio context; therefore, the Plan has numerous managers that invest globally. In general, currency exposure is viewed as a benefit for its diversification reasons and not as an inherent risk within the portfolio. The Plan has no formal risk policy.

In addition, the Plan has investments in foreign stocks and/or bonds denominated in foreign currencies. The Plan's foreign currency exposures as of June 30, 2013 and 2012 are as follows (amounts in U.S. dollars, in thousands):

Trade Currency	**2013**	**2012**
Euro Currency	$ 2	$ 18,815
Swiss Franc	2	5,001
British Pnd Sterling	1	14,762
Japanese Yen	1	14,016
Australian Dollar	1	3,514
Renminbi Yuan	-	3,492
Brazilian Real	-	2,748
South Korean Won	-	2,582
South African Rand	-	1,820
New Taiwan Dollar	-	1,683
Russian Ruble	-	1,528
Hong Kong Dollar	-	1,394
Singapore Dollar	-	1,309
Indian Rupee	-	916
Swedish Krona	-	703
Thai Baht	-	608
Nuevo Sol	-	539
Mexican Nuevo Peso	-	469
Danish Krone	-	460
Norwegian Krone	-	420
Indonesian Rupiah	-	398
Philippines Peso	-	353
Turkish Lira	-	260
Malaysian Ringgit	-	180
Israeli Shekel	-	77
New Zealand Dollar	-	65
Canadian Dollar	-	32
Naira	-	16
Total	$ 7	$ 78,160

Securities Lending Transactions:

Credit Risk — The quality ratings of investments held as collateral for Securities Lending are as follows (in thousands):

Investment Type and Fair Value of Securities Lending Transactions	S&P Quality Ratings									
June 30, 2013	AAA	AA	A	BBB	BB	B	CCC & Below	Short Term	Not Rated	Total
U.S. Government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	5,018	11,754	6,415	-	-	-	-	-	439	23,627
Yankee bonds	-	-	-	-	-	-	-	-	-	-
Short-term:				-						
Reverse Purchace Agreement	-	-	-	-	-	-	-	-	15,702	15,702
Master note	-	-	-	-	-	-	-	-	-	-
Certificate of deposits	-	-	3,535	-	-	-	-	-	-	3,535
U.S. Agencies	-	-	-	-	-	-	-	-	2,824	2,824
Commercial paper	-	-	2,689	-	-	-	-	-	-	2,689
Univested	-	-	-	-	-	-	-	-	(395)	(395)
	$ 5,018	$ 11,754	$ 12,639	$ -	$ -	$ -	$ -	$ -	$ 18,570	$ 47,982
Percent of securities lending portfolio	10.46 %	24.50 %	26.34 %	- %	- %	- %	- %	- %	38.70 %	100.00 %

	S&P Quality Ratings									
June 30, 2012	AAA	AA	A	BBB	BB	B	CCC & Below	Short Term	Not Rated	Total
U.S. Government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	6,349	11,475	10,032	-	-	82	-	-	126	28,064
Yankee bonds	-	-	-	-	-	-	-	-	-	-
Short-term:										
Reverse Purchace Agreement	-	-	-	-	-	-	-	-	8,620	8,620
Master note	-	-	-	-	-	-	-	-	-	-
Certificate of deposits	-	-	2,805	-	-	-	-	-	-	2,805
U.S. Agencies	-	-	-	-	-	-	-	-	1,506	1,506
Commercial paper	-	-	429	-	-	-	-	-	-	429
Univested	-	-	-	-	-	-	-	-	(52)	(52)
	$ 6,349	$ 11,475	$ 13,266	$ -	$ -	$ 82	$ -	$ -	$ 10,200	$ 41,372
Percent of securities lending portfolio	15.34 %	27.74 %	32.07 %	- %	- %	0.20 %	- %	- %	24.65 %	100.00 %

Interest Rate Risk — The lengths of investment maturities (in years) of the collateral for Securities Lending are as follows (in thousands):

Years to Maturity

Investment Type June 30, 2013	Investment Maturities Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. Government	$ -	$ -	$ -	$ -	$ -
Corporate bonds	23,627	14,151	9,476	-	-
Yankee bonds	-	-	-	-	-
Short-term:					
Repurchase Agreements	-	-	-	-	-
Reversal Repurchase Agreements	15,702	15,702	-	-	-
Certificate of deposits	3,535	3,535	-	-	-
Master Note	-	-	-	-	-
Commercial Paper	2,689	2,689	-	-	-
U.S. Agencies	2,824	2,023	801	-	-
U.S. Treasury	-	-	-	-	-
Time Deposit	-	-	-	-	-
Univested	(395)	(395)	-	-	-
	$ 47,982	$ 37,705	$ 10,277	$ -	$ -
Percent of rated portfolio	100.00 %	78.58 %	21.42 %	- %	- %

Investment Type June 30, 2012	Investment Maturities Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. Government	$ -	$ -	$ -	$ -	$ -
Corporate bonds	28,064	21,063	7,001	-	-
Yankee bonds	-	-	-	-	-
Short-term:					
Repurchase Agreements	-	-	-	-	-
Reversal Repurchase Agreements	8,620	8,620	-	-	-
Certificate of deposits	2,805	2,805	-	-	-
Master Note	-	-	-	-	-
Commercial Paper	429	429	-	-	-
U.S. Agencies	1,506	300	1,206	-	-
U.S. Treasury	-	-	-	-	-
Time Deposit	-	-	-	-	-
Univested	(52)	(52)	-	-	-
	$ 41,372	$ 33,165	$ 8,207	$ -	$ -
Percent of rated portfolio	100.00 %	80.16 %	19.84 %	- %	- %

4. FUNDING

The ACNY provides that POLICE transfer to the Fund an amount equal to certain excess earnings on equity investments, limited to the unfunded Accumulated Benefit Obligation (ABO) of the Fund. Excess earnings are defined as the amount by which earnings on equity investments of POLICE exceed what those earnings would have been had such funds been invested at a yield comparable to that available from fixed-income securities ("Hypothetical Fixed Income Security Earnings") less any cumulative deficiencies. The Fund also receives credit for investment earnings on Fund assets.

The calculation of the Hypothetical Fixed Income Security Earnings requires the determination of the Hypothetical Interest Rate (HIR), which is computed by the Comptroller.

For Fiscal Year 2013, the excess earnings of POLICE, inclusive of prior year's cumulative deficiencies, are estimated to be equal to zero and, therefore, no transfer is expected to be due from POLICE to the Fund as of June 30, 2013.

For Fiscal Year 2012, the excess earnings of POLICE, inclusive of prior year's cumulative deficiencies, are estimated to be equal to zero and, therefore, no transfer is expected to be due from POLICE to the Fund as of June 30, 2012.

In addition, Chapter 247 of the Laws of 1988 states that if the assets of the Fund are less than the amount required to pay the retirees' guaranteed scheduled supplemental benefit payments, then The City is required by law to fund the difference.

Under Chapter 3 of the Laws of 2013, if the assets of the Fund are less than the amount required to pay the retirees' guaranteed supplemental benefit payments, then an amount sufficient to pay such benefits shall be appropriated from the Contingent Reserve Fund of POLICE.

The amount shown below as the ABO is the measure of the present value of scheduled supplemental benefits estimated to be payable in the future as a result of employee service-to-date. The ABO is calculated as the actuarial present value of credited projected benefits, prorated on service and is intended to help users assess the funded status of the Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among variable supplements funds.

Actuarial valuations of the Fund are performed annually as of June 30.

A comparison of the ABO as calculated by the Actuary with the fund net position held in trust for benefits as calculated by the Actuary as of June 30, 2012 and June 30, 2011, follows:

	Amounts as of June 30	
	2012	2011
	(In millions)	
Accumulated benefit obligation[1] for:		
Retirees currently receiving benefits	$ 1,375.8	$ 1,341.9
Active members	505.5	509.7
Total accumulated benefit obligation[2, 3]	1,881.3	1,851.6
Net position held in trust for benefits[4]	475.2	611.1
Unfunded accumulated benefit obligation	$ 1,406.1	$ 1,240.5

1 Based on actuarial assumptions adopted by the Board of Trustees of POLICE during Fiscal Year 2012.

2 The June 30, 2012 and the June 30, 2011 ABOs decreased by approximately $22.3 million and $20.9 million, respectively, compared to those projected prior to the enactment of Chapters 119/95, 390/98 and 125/00.

3 These total ABOs have been reduced by accrued benefits payable. This basis of reporting the total ABO is consistent with that used to report Plan net position held in trust for benefits in these financial statements, but may differ from the bases used for other purposes.

4 See Note 2 for valuation of investments in the calculation of Fund net position held in trust for benefits.

For purposes of the June 30, 2012 and the June 30, 2011 actuarial valuations of the Fund, Chapter 125/00 has been taken into account in the determination of the unfunded ABO relative to the Supplementation benefit increases that began Fiscal Year 2001 and to the automatic COLA benefits provided for Fiscal Year 2002 and each future year (Note 1).

Sections 13-270 and 13-280 of the ACNY provide that the Boards of Trustees of the Fund and the PSOVSF shall adopt, upon the recommendation of the Actuary, actuarial assumptions as to interest rate, mortality of retirees and estimated number of active members of POLICE in service as of each June 30 who will retire for service with 20 or more years of service as Police Officers and Police Superior Officers, for use in making annual valuations of liabilities.

The following actuarial assumptions represent the recommendations of the Actuary that were used in the actuarial calculations to determine the preceding ABOs as of June 30, 2012 and June 30, 2011, respectively:

	June 30, 2012	**June 30, 2011**
Investment rate of return	7.0% per annum.[1, 2]	7.0% per annum.[1, 2]
Post-retirement mortality	Tables adopted by POLICE during Fiscal Year 2012.	Tables adopted by POLICE during Fiscal Year 2012.
Active service: withdrawal, death, disability	Tables adopted by POLICE during Fiscal Year 2012.	Tables adopted by POLICE during Fiscal Year 2012.
Service retirement	Tables adopted by POLICE during Fiscal Year 2012.	Tables adopted by POLICE during Fiscal Year 2012.
Percentage of all active POLICE members estimated to retire for service with 20 or more years of service as Police Officers	50%.	50%.
Percentage of all active Police Superior Officers estimated to retire for service with 20 or more years of service as Police Superior Officers	100%.	100%.
Cost-of-Living Adjustments[1]	1.5% per annum for Tier I and Tier II, 2.5% per annum for Tier III and Tier VI.	1.5% per annum for Tier I and Tier II, 2.5% per annum for Tier III.
Actuarial Asset Valuation Method	Fair Market Value.	Fair Market Value.

1 Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

2 Net of Investment Expenses.

5. INVESTMENT ADVISORS

The Comptroller of The City (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. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

6. RELATED PARTIES

Administrative expenses are paid by The City. The Comptroller provides certain administrative services to the Fund. The Actuary is appointed to be the technical advisor to the Fund and the Office of the Actuary provides related actuarial services to the Fund. The City's Corporation Counsel provides legal services to the Fund. The City also provides other administrative services.

The Comptroller has been appointed by law as custodian for the monies and assets of the Plan with revocable discretionary authority. Securities are held by certain banks under custodial agreements with the Comptroller.

7. CONTINGENT LIABILITIES

From time to time, the Fund has a number of claims pending against it and has been named as defendant in a number of lawsuits. The Fund also has certain other contingent liabilities. Management of the Fund, on the advice of legal counsel, believes that such proceedings and contingencies generally do not have a material effect on the Plan net position or changes in the Plan net position of the Fund. Under the State statutes and City laws that govern the functioning of the Fund, increases in the obligation of the Fund to members and beneficiaries ordinarily result in increases to the future potential obligations of POLICE.

8. OTHER ACTUARIAL INFORMATION

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 recently completed study was published by the Hay Group (Hay), dated December 2011, and analyzed experience for Fiscal Years 2006 through 2009. Hay made recommendations with respect to the actuarial assumptions and methods based on their analysis.

The previously completed study was published by the Segal Company (Segal), dated November 2006, and analyzed experience for Fiscal Years 2002 through 2005. Segal made recommendations with respect to the actuarial assumptions and methods based on their analysis.

Currently, Gabriel, Roeder, Smith & Company (GRS) has been retained to study the actuarial assumptions for Fiscal Years 2010 through 2013.

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 proposed by the Actuary for use in the determination of employer contributions.

Based, in part, upon a review of the Segal and Hay studies, the Actuary issued a February 10, 2012 Report entitled "Proposed Changes in Actuarial Assumptions and Methods for Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2011 for the New York City Police Pension Fund" ("February 2012 Report").

The Board of Trustees of POLICE adopted those changes to actuarial assumptions that require Board approval. The State Legislature and the Governor enacted Chapter 3 of the Laws of 2013 ("Chapter 3/13") to provide for those changes to the actuarial assumptions and methods that require legislation, including the AIR assumption of 7.0% per annum, net of expenses.

For the actuarial valuations of the Fund beginning June 30, 2005, the Actuary used actuarial assumptions that were adopted during Fiscal Year 2006 by the Board of Trustees of POLICE.

For actuarial valuations of the Fund beginning June 30, 2011, the Actuary used actuarial assumptions that were adopted during Fiscal Year 2012 by the Board of Trustees of POLICE.

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