
**New York City Police Pension Fund
Subchapter Two**



**Comprehensive Annual Financial Report
Component Unit
of
The City of New York**

**Fiscal Year Ended
June 30, 1994
New York, New York**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 1994

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

Actuary

ROBERT C. NORTH JR. - Chief Actuary

Custodian of the funds

ALAN HEVESI - Comptroller of the City of New York

Headquarters Address

One Police Plaza, New York, New York 10038

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NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER 2
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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**NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**INTRODUCTORY SECTION
PART I**

FISCAL YEAR ENDED JUNE 30, 1994

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police
Pension Fund,
Subchapter 2

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1993

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



President

Executive Director



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

December 27, 1994

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

The Comprehensive Annual Financial Report of the Police Pension Fund Subchapter Two (the Plan) for the fiscal year ended June 30, 1994, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the fund. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operation of the Retirement System. All disclosures necessary to enable the reader to gain an understanding of the Pension System's Financial Activities have been included.

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

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

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

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

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

The National economy continues to be in a recovery stage, however progress is slow. The Gross Domestic Product increased from 3.5% to 4.1% at the end of June 30, 1994 fiscal year. Various economic indicators indicate that short-term interest rates will increase further. The recovery of New York State and the City is also recovering at a slow pace. The Gross City Product increased at an annual rate of 1.1% for June 30, 1994, following a 2.3% increase for March 1994. The City produced more than 27,500 private sector jobs during 1994. Consumer price index increased to 2.5% from a year ago. The effort to control inflation has a negative effect on our city. Higher short term interest rates has a negative impact on the earnings of the Financial Industry which is located in our City. Many Investment and Financial Firms have begun to lay off employees which hurt the recovery of New York City. Higher interest rates also decrease growth in the construction, manufacturing and other sectors of the economy. During the last economic recession, the City lost about 365,000 jobs.

Major Initiatives for the Year

New York City is legally required to balance its budget and did so for the last several fiscal years. New York State and New York City are facing huge deficits and severe economic problems. The City has attempted to reduce its workforce significantly by offering economic severance plans to its employees. The possibility of layoffs of City workers remain an option to be implemented in order to balance the budget. The City is presently attempting to merge the New York City Transit, Housing and New York City Police Department as one centralized City Police Force. This merger would increase operating efficiency and reduce costs substantially.

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

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

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

The following table reflects increases and decreases in revenues and expenses for fiscal years 1994 and 1993 respectively. Amounts are in thousands.

<u>Description</u>	<u>Amount 1994</u>	<u>Amount 1993</u>	<u>Net Increase/ (Decrease)</u>
Member Contributions	\$ 53,295	\$ (3,647)	1,561.3%
Employer Contribution	414,445	448,767	(7.6%)
Total Contribution	467,740	445,120	(5.1%)
Interest Income	227,751	288,949	(21.2%)
Dividend Income	102,648	98,080	4.7%
Net realized and un- realized gain on investments	(15,164)	603,063	(102.5%)
Net investment income	315,235	990,092	(68.2%)
Total contributions and investment income	782,975	1,435,212	(45.4%)
Benefit payments and withdrawals	655,868	619,412	5.9%
Payments to Other Funds-Net	1,679	1,955	(14.2%)
Excess earnings to New York Police Department variable supplements fund	0	111,381	(100%)
Total benefit payments, withdrawals and net payments to other funds	657,547	732,748	(10.3%)

As a result net assets available for Pension Benefits increased from \$8,477,630,000 in fiscal year 1993 to \$8,603,058,000 in fiscal year 1994, reflecting a 1.5% increase.

The following are consultants for the various types of investments:

Fixed Income Advisors

Government

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

Mortgage

Bear Sterns
Miller, Anderson
Pimco

Corporate

T. Rowe Price
Bankers Trust

Foreign

Fiduciary Trust
Total Yankee
Bank of Ireland
Schroder Capital
Scudder

Equity Advisors

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

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

For the Future

The pension Benefit obligation as of 6-30-94 is equal to approximately \$9,658 million. Net assets available for pension benefits as of 6-30-94 is equal to approximately \$8,603 million. The unfunded pension benefit obligation as of 6-30-94 is equal to approximately \$1,055 million. The unfunded pension benefit obligation as of 6-30-93 was equal to \$707 million. The unfunded pension obligation increased by about \$348 million.

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

Financial Overview and Fund Structure

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

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

Other Information

The Government Officers Association of the United States and Canada (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Subchapter Two for its component Annual Financial Report for the fiscal years ended June 30, 1987 through June 30, 1993. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

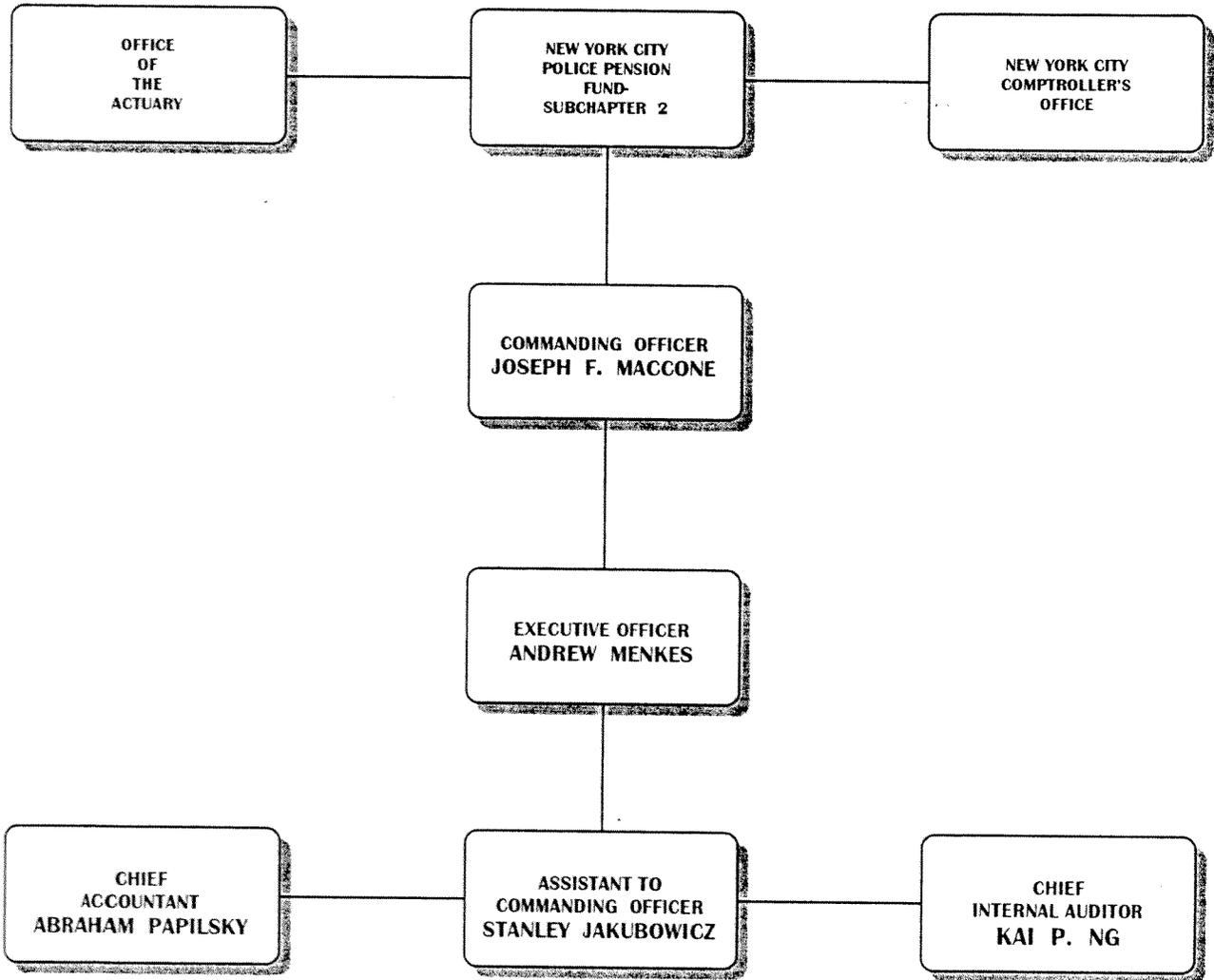
Respectfully submitted,



Joseph F. Maccone
Inspector,
Commanding Officer,
Pension Section

JFM/lc

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ADMINISTRATIVE ORGANIZATION



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FINANCIAL SECTION
PART II**

FISCAL YEAR ENDED JUNE 30, 1994

345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
New York Police Department
Pension Fund - Subchapter 2:

We have audited the accompanying statement of net assets available for pension benefits of the New York Police Department Pension Fund - Subchapter 2 (the "Plan") as of June 30, 1994, and the related statements of changes in net assets available for pension benefits and cash flows for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Plan's financial statements for the year ended June 30, 1993 were audited by other auditors whose report dated October 29, 1993 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for pension benefits of the Plan as of June 30, 1994, and the changes in its net assets available for pension benefits and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules 4 and 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Plan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information on Schedules 1 through 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management and presentation of the supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG Peat Marwick LLP

November 18, 1994



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

Statements of Net Assets Available for Pension Benefits

June 30, 1994 and 1993

(in thousands)

	<u>1994</u>	<u>1993</u>
Assets:		
Investments (notes 2 and 3):		
Securities purchased under agreements to resell	\$ 126,340	23,865
U.S. Treasury bills	37,593	112,418
Other short-term investments:		
Commercial paper	-	31,891
Short-term investment fund	479,018	510,364
Debt securities:		
U.S. Government	1,844,983	2,172,809
Corporate	1,055,646	1,038,417
International investment fund - fixed income	63,000	63,000
Mortgages	-	11
Foreign	89,785	81,055
Equity securities	4,054,117	3,989,878
International investment fund - equities	<u>713,603</u>	<u>475,395</u>
Total investments	8,464,085	8,499,103
Receivables for investment securities sold	93,151	297,816
Accrued interest and dividends receivable	51,284	53,278
Employer contribution receivable - long-term (note 8)	506,432	510,872
Other assets	<u>5,487</u>	<u>4,988</u>
Total assets	<u>9,120,439</u>	<u>9,366,057</u>
Liabilities:		
Accounts payable (note 2)	24,347	26,355
Payables for investment securities purchased	445,858	731,050
Accrued benefits payable	17,361	15,079
Deferred employer contribution (note 5)	29,815	-
Payable to New York Police Department Variable Supplements Fund (note 4)	<u>-</u>	<u>115,944</u>
Total liabilities	517,381	888,428
Contingent liabilities (note 10)	<u> </u>	<u> </u>
Net assets available for pension benefits	<u>\$ 8,603,058</u>	<u>8,477,629</u>

See accompanying notes to financial statements.

NEW YORK POLICE DEPARTMENT
PENSION FUND - SUBCHAPTER 2

Statements of Changes in Net Assets
Available for Pension Benefits

Years ended June 30, 1994 and 1993

(in thousands)

	<u>1994</u>	<u>1993</u>
Contributions (notes 5 and 8):		
Member contributions (net of loans to members)	\$ 53,295	(3,647)
Employer contributions	<u>414,446</u>	<u>448,767</u>
Total contributions	<u>467,741</u>	<u>445,120</u>
Investment income:		
Interest income	227,751	288,949
Dividend income	102,648	98,080
Net realized and unrealized (loss) gain on investments (note 3)	<u>(15,164)</u>	<u>603,063</u>
Net investment income	<u>315,235</u>	<u>990,092</u>
Total contributions and investment income	<u>782,976</u>	<u>1,435,212</u>
Benefits payments and withdrawals (note 1)	655,868	619,412
Payments to other funds, net	1,679	1,955
Excess earnings to New York Police Department Variable Supplements Fund (note 4)	<u>-</u>	<u>111,381</u>
Total benefit payments, withdrawals and net payments to other funds	<u>657,547</u>	<u>732,748</u>
Increase in net assets available for pension benefits	125,429	702,464
Net assets available for pension benefits:		
Beginning of year	<u>8,477,629</u>	<u>7,775,165</u>
End of year	\$ <u>8,603,058</u>	<u>8,477,629</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 1994 and 1993

(in thousands)

	<u>1994</u>	<u>1993</u>
Cash flows from operating activities:		
Increase in net assets available for pension benefits	\$ <u>125,429</u>	<u>702,464</u>
Adjustments to reconcile increase in net assets available for pension benefits to net cash used in operating activities:		
Interest and dividend income	(370,901)	(370,239)
Decrease in employer contribution receivable - long-term	4,441	13,331
Increase in other assets	(499)	(377)
Amortization of premiums and discounts - net	38,507	(13,184)
Gain on sale of securities	(132,241)	(260,828)
Decrease (increase) in unrealized appreciation of equity securities	147,405	(342,235)
Decrease (increase) in receivables for investment securities sold	204,665	(183,102)
Decrease (increase) in accrued interest and dividends receivable	1,994	(3,606)
(Decrease) increase in payables for investment securities purchased	(285,192)	315,578
(Decrease) increase in accounts payable	(2,009)	4,384
Increase (decrease) in accrued benefits payable	2,282	(373)
(Decrease) increase in due to New York Police Department Variable Supplements Fund	(115,944)	68,875
Increase in deferred employer contributions	<u>29,815</u>	<u>-</u>
Total adjustments	<u>(477,677)</u>	<u>(771,776)</u>
Net cash used in operating activities	<u>(352,248)</u>	<u>(69,312)</u>
Cash flows from investing activities:		
Proceeds on sale of securities	20,584,248	19,411,213
Payments for the purchase of securities	(20,602,900)	(19,712,140)
Interest and dividend income	<u>370,901</u>	<u>370,239</u>
Net cash provided by investing activities	<u>352,249</u>	<u>69,312</u>
Net decrease in cash	-	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 1994 and 1993

(1) Plan Description

The City of New York (the "City") maintains a number of pension systems providing benefits for its employees and employees of various agencies (as defined within plan documents). The City's main pension systems are the New York City Police Department, Subchapter Two Pension Fund (the "Plan"), the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System and the New York City Fire Department Subchapter Two Pension Fund. 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 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 issued Statement No. 14, The Financial Reporting Entity, which requires governmental reporting entities reassess the organizations included in their financial statement as well as the manner in which such organizations are reported when included. GASB Statement No. 14 became effective for the Plan in fiscal year 1994 and, when implemented by the Plan, resulted in no change to its reporting entity.

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.

At June 30, 1994 and 1993, the Plan's membership consisted of:

	<u>1994</u>	<u>1993</u>
	(A)	(B)
Retirees and beneficiaries currently receiving benefits	30,974	30,278
Terminated vested members not yet receiving benefits	4	29
Total	<u>30,978</u>	<u>30,307</u>
Current active employees:		
Vested	3,975	4,544
Nonvested	27,084	23,622
Total	<u>31,059</u>	<u>28,166</u>

(Continued)

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

Notes to Financial Statements

(1), Continued

- (A) Effective June 30, 1994, these figures exclude retirees and beneficiaries no longer receiving benefits who have not yet been cancelled from the retirement registers, and includes only current active members receiving salary as of each June 30th.
- (B) Membership figures as of June 30, 1993 have been restated to be consistent with those presented as of June 30, 1994.

The Plan provides three main types of retirement benefits: service retirements, ordinary disability retirements (nonjob-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 or 25 years of service (as elected), with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of "average salary" (as defined within plan documents) times number of years in excess of the 20 or 25 year minimum. These additional benefits are increased, where applicable, by an annuity attributable to employee contributions with respect to service over the 20 or 25 year minimum and by any benefits attributable to the employer's contributions with respect to such service under the Increased-Take-Home-Pay ("ITHP") program.
- An ordinary disability retirement 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 or 25 year minimum plus an annuity based on the member's contributions with accumulated interest and the amount accumulated under the ITHP program.

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.

(Continued)

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

Notes to Financial Statements

(1), Continued

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

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

Basis of Accounting

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

Method Used to Value Investments

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

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

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

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

Income Taxes

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

(Continued)

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

Notes to Financial Statements

(2), Continued

Related Parties

Administrative expenses (\$10,650,000 in fiscal year 1994 and \$11,330,000 in fiscal year 1993) are paid by the City.

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

Other

Accounts payable represents, principally, amounts due to banks for benefit payments made on or before June 30, 1994 and 1993; transfers to the appropriate bank accounts were made after that date.

(3) Deposits and Investments

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

The criteria for the Plan investments are as follows:

- (a) Fixed income investments may be made only in U.S. Government securities, securities of Government agencies backed by the U.S. Government, securities of companies rated single A or better by both Standard & Poor's Corporation and Moody's Investors Service and any bond on the Legal Investments for New York Savings Banks list published annually by the New York State Banking Department.
- (b) Equity investments may be made only in those stocks that meet the qualifications of the State Retirement and Social Security Law.
- (c) Short-term investments may be made in the following instruments:
 - (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.
 - (ii) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.

(Continued)

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

Notes to Financial Statements

(3), Continued

- (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 in instruments not specifically covered by the State Retirement and Social Security Law.

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

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

Investments owned by the Plan at June 30, 1994 and 1993 are summarized as follows (in thousands):

	<u>1994</u>		<u>1993</u>	
	Total Carrying amount	Market value	Total Carrying amount	Market value
Categorized (A):				
Repurchase agreements	\$ 126,340	126,340	23,865	23,865
Commercial paper	-	-	31,891	31,891
U.S. Government securities	1,844,983	1,781,852	2,172,809	2,266,824
U.S. Treasury bills	37,593	37,955	112,418	112,418
Corporate bonds	1,055,646	1,024,291	1,038,417	1,064,406
Equity securities (cost was \$2,616,860 and \$2,320,976 for 1994 and 1993, respectively)	4,054,117	4,054,117	3,989,878	3,989,878
Foreign debt securities	<u>89,785</u>	<u>86,404</u>	<u>81,055</u>	<u>83,222</u>
	7,208,464	7,110,959	7,450,333	7,572,504

(Continued)

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

Notes to Financial Statements

(3), Continued

	<u>1994</u>		<u>1993</u>	
	Total Carrying amount	Market value	Total Carrying amount	Market value
Noncategorized (B):				
Short-term investment fund	\$ 479,018	479,018	510,364	510,364
Mortgages		-	11	11
International investment fund - fixed income	63,000	101,871	63,000	92,610
International investment fund - equities (cost was \$579,882 and \$425,917 for 1994 and 1993, respectively)	<u>713,603</u>	<u>713,603</u>	<u>475,395</u>	<u>475,395</u>
	<u>\$ 8,464,085</u>	<u>8,405,451</u>	<u>8,499,103</u>	<u>8,650,884</u>

(A) - All categorized investments are Category 1.

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

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

Realized gain:			
Proceeds from sales and redemptions		\$ 20,584,248	19,411,213
Carrying value of securities		<u>20,452,007</u>	<u>19,150,385</u>
		132,241	260,828
(Decrease) increase in unrealized appreciation of equity securities		<u>(147,405)</u>	<u>342,235</u>
Net realized and unrealized (loss) gain		<u>\$ (15,164)</u>	<u>603,063</u>

(4) Funding Status and Progress

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

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

(Continued)

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

Notes to Financial Statements

(4), Continued

Actuarial valuations are performed annually as of June 30. The latest valuation to determine the pension benefit obligation was made as of June 30, 1994.

The more significant assumptions used to calculate the PBO at June 30, 1994 and 1993 are as follows:

Assumed rate of return on investments	8.5% per annum.
Postretirement mortality	Tables based on experience.
Active service, withdrawal, death, disability	Tables based on experience.
Retirement	Tables based on experience. Varies from earliest age a member is eligible to retire (age at completion of 20 years of service) until age 63.
Salary increases	In general, merit and promotion increases plus assumed general wage increases of 5.5% per year.

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

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

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

(Continued)

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

Notes to Financial Statements

(4), Continued

The excess of the pension benefit obligation over the net assets available for pension benefits (the unfunded PBO) has been calculated by the Plan's actuary as of June 30, 1994 and 1993 and amounts to:

	<u>1994</u>	<u>1993</u>
	(in millions)	
Pension benefit obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested members not yet receiving benefits	\$ 5,837	5,545
Current employees:		
Employee contributions with interest	484	404
Employer-financed vested	963*	1,206**
Employer-financed nonvested	<u>2,374</u>	<u>2,030</u>
Total pension benefit obligations***	9,658	9,185
Net assets available for pension benefits	<u>8,603</u>	<u>8,478</u>
Unfunded pension benefit obligations	\$ <u>1,055</u>	<u>707</u>

* The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and only that portion of benefits subject to vesting that have been accrued to date.

** The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and that portion of all benefits accrued to date.

*** The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5, and should be considered with reference to the actuarial assumptions used.

The Administrative Code of the City of New York provides that the Plan pay an amount equal to certain excess earnings on equity investments of the Plan, limited to the unfunded Accrued Benefit Obligation ("ABO") to the Police Officers' Variable Supplements Fund ("POVSF") and to the Police Superior Officers' Variable Supplements Fund ("PSOVSF") beginning June 30, 1993. 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.

(Continued)

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

Notes to Financial Statements

(4), Continued

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

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

For fiscal year 1994, there were excess deficiencies on equity investments of the Plan and, accordingly, no transfers were made to the POVSF and PSOVSF.

For fiscal year 1993, there were excess earnings on equity investments of the Plan of approximately \$111.4 million payable to the PSOVSF, and there were potential excess earnings payable to the POVSF but these were limited by the POVSF unfunded ABO and, accordingly, no transfer was made to the POVSF.

The excess earnings on equity investments of the Plan payable to the Variable Supplements Fund from the Plan as of June 30, 1994 and 1993 are as follows:

	<u>1994</u>	<u>1993</u>
	(in millions)	
Police Superior Officers	\$ -	111.4
Police Officers	<u>-</u>	<u>-</u>
Total	\$ <u>-</u>	<u>111.4</u>

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

(5) Contribution Required and Contribution Made

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

(Continued)

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

Notes to Financial Statements

(5), Continued

The frozen entry age actuarial cost method of funding is utilized by the Plan's actuary to calculate the contribution from the employer. Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

For the fiscal year ended June 30, 1993, the Unfunded Actuarial Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 were being amortized over 20 years using schedules of payments for the UAL and BSL combined, comparable in pattern to the schedules of payments for the first five years that were in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL component was being amortized using level payments over 20 years from June 30, 1990.

Chapter 633 of the Laws of 1994 amended the schedules of payments toward the UAL and BSL to provide that the UAL and BSL as of June 30, 1993 be amortized over a period of 17 years beginning fiscal year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

For the fiscal year ended June 30, 1994, this revised amortization schedule decreased employer contributions by approximately \$29.8 million compared to what employer contributions would have been utilizing the former amortization schedule.

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 \$418.1 million and \$462.1 million for fiscal years ended June 30, 1994 and 1993, respectively. Employer contributions were equal to the amounts computed by the actuary.

Employer contributions, exclusive of employer contribution receivable - long-term, as a percentage of current-year covered payroll, were 28.0% and 32.5% for fiscal years ended June 30, 1994 and 1993, respectively.

The employer contribution for normal cost was \$299.8 million (20.3% of current covered payroll) and for amortization of the unfunded actuarial accrued liability, including the amount to fund the employer contribution receivable - long-term, was \$118.3 million (8.0% of current covered payroll) for the fiscal year ended June 30, 1994; the employer contribution for normal cost was \$310.3 million (22.5% of current covered payroll) and for amortization of the unfunded actuarial accrued liability, including the amount to fund the employer contribution receivable - long-term, was \$151.8 million (11.0% of current covered payroll) for the fiscal year ended June 30, 1993.

(Continued)

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

Notes to Financial Statements

(5), Continued

Member contributions are made on the basis of a normal rate of contribution that is assigned by the Plan at the time of membership. The normal rate, which is dependent upon the member's age and plan, as well as the tables in effect at the time of membership, is determined so as to provide an annuity that will be approximately one-quarter of the service retirement allowance at the earliest date for service retirement. Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity. Contributions from members are recorded when the employer makes payroll deductions from plan members. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such member's contribution accounts.

Member contributions (net of loans to members) amounted to \$53.3 million and \$(3.6) million for the fiscal years ended June 30, 1994 and 1993, respectively.

Member contributions as a percentage of current-year covered payroll were 3.6% and (.3)% for the fiscal years ended June 30, 1994 and 1993, respectively.

Upon termination of employment before retirement, members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding. Member contribution account balances, reduced by loans and refunds, at June 30, 1994 and 1993 were approximately \$484.3 million and \$404.4 million, respectively.

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

For the June 30, 1994 and 1993 actuarial valuations to calculate the fiscal year 1994 and fiscal year 1993 employer contributions, the actuarial asset valuation method recognizes expected investment return immediately and phases in investment return greater or less than expected return over a period of five years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation discussed in note 4.

(6) Ten-Year Historical Trend Information

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

(Continued)

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

Notes to Financial Statements

(6), Continued

The trend information included in these notes to the financial statements and supplementary information differs from the trend information for those years shown in the notes to financial statements in the City's CAFR. The trend information for net assets available for pension benefits shown in these notes to the financial statements and supplementary information includes the employer contribution receivable - long-term. Net assets available for pension benefits are shown at market value for equities and amortized cost for bonds, from year to year.

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

The National Council on Governmental Accounting ("NCGA") Statement No. 6 ("NCGA 6"), "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," which was planned to be effective for plan years beginning after June 15, 1982, differs in certain material respects from Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard No. 35 ("SFAS 35"), "Accounting and Reporting by Defined Benefit Pension Plans." Since the FASB declared SFAS 35 applicable to both private and public sector pension plans, the NCGA and the FASB undertook discussions aimed at mutually deferring the effective dates of both documents. NCGA 6 was extended indefinitely, to allow time for a reconciliation of differences between these pronouncements. The FASB by means of SFAS 75, dated November 1983, indefinitely deferred the effective date of SFAS 35 for public sector pension plans.

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

(Continued)

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

Notes to Financial Statements

(7), Continued

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

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

(8) Employer Contribution Receivable - Long-Term

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

Chapter 608 of the Laws of 1991 amended this payment schedule to provide that the accrued pension contributions receivable from the City at June 30, 1990 be amortized over 20 years beginning in fiscal year 1991 with interest at 8.5% per annum.

Chapter 633 of the Laws of 1994 further amended the payment schedule to provide that the accrued pension contribution receivable from the City as of June 30, 1993 be amortized over a period of 17 years beginning fiscal year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

The interest is included in employer contributions each year.

(9) Investment Advisors

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

(Continued)

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

Notes to Financial Statements

(10) Contingent Liabilities

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

Other Matters

During 1994 and 1993, certain events took place which, in the opinion of plan management, could have the effect of increasing obligations of the Plan to members and beneficiaries. The effect of such events has not been fully quantified. It is the opinion of plan management that such developments would not have a material effect on net assets available for pension benefits or changes in net assets available for pension benefits.

a. New York State Legislature

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

b. Actuarial Audit

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

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

Analysis of Funding Progress

(Unaudited)

(in thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal year ended <u>June 30</u>	Net assets available <u>for benefits</u> (Note A)	Pension benefit <u>obligation</u> (Notes B & C)	Percentage <u>funded</u> (1)(2) (Note E)	Unfunded pension benefit <u>obligation</u> (2)-(1)	Annual covered <u>payroll</u> (Note D)	Unfunded pension benefit obligation as a percentage of annual covered <u>payroll</u> (4)(5) (Note E)
1985	\$ 4,161,276	5,612,979	74.1%	\$ 1,451,703	858,597	169.1%
1986	4,670,010	7,169,151	65.1	2,499,141	980,554	254.9
1987	5,308,189	7,769,507	68.3	2,461,318	1,066,248	230.8
1988	5,438,723	7,038,428	77.3	1,599,705	1,198,145	133.5
1989	6,177,969	7,509,260	82.3	1,331,291	1,184,042	112.4
1990	6,783,210	7,893,983	85.9	1,110,773	1,241,938	89.4
1991	7,142,120	8,290,195	86.2	1,148,075	1,295,023	88.7
1992	7,775,165	8,814,780	88.2	1,039,615	1,332,598	78.0
1993	8,477,629	9,185,177	92.3	707,548	1,379,928	51.3
1994	8,603,058	9,658,303	89.1	1,055,245	1,478,485	71.4

(Continued)

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

Analysis of Funding Progress, Continued

(Unaudited)

- A - The net assets available for pension benefits include the employer contributions receivable - long-term.
- B - The pension benefit obligation ("PBO") as of June 30, 1988 and after are not entirely comparable to that shown for the prior years. The amount of the PBO depends upon the methodology used in determining what portion of each member's total projected benefit is attributed to his or her service to the date of the actuarial valuation. The methodology for the June 30, 1988 valuation used a proration of such benefit, based upon service to the valuation date, as required by GASB Statement No. 5. The amount attributed under the methodology used for valuations prior to June 30, 1988 was based directly upon the benefit credited to date under the Plan's benefit formula. The June 30, 1988 PBO decreased by \$1,487 million compared to what it would have been using the former methodology. During 1989, actuarial assumptions relating to the assumed rate of return on investments, mortality, turnover and retirement were changed. If the same assumptions had been used at June 30, 1988, the June 30, 1988 PBO would have increased by approximately \$216 million compared to what it is using the former assumptions. The June 30, 1991 PBO decreased by approximately \$168 million as a result of changing the actuarial assumption for rate of return on investments.
- C - During the years prior to June 30, 1987 there were changes to actuarial assumptions and benefit provisions. It is not practicable to present the effect of such changes.
- D - The annual covered payrolls were reduced by excluding therefrom all pending withdrawals (five-year outs, etc.). Beginning with June 30, 1986, salaries were increased to reflect overtime earnings and adjustments were made for members not on the payroll to reflect the fact that most of these members will not return to active service. Initially, the salaries for these members were reduced by various percentages. The adjustments at June 30, 1989 and after were made to completely exclude the numbers and salaries for these members.
- E - Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for pension benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligation and annual covered payroll are affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this unfunded percentage or the larger this overfunded percentage, the stronger the Plan.

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

Revenue by Source

(Unaudited)

(in thousands)

Fiscal year ended June 30	Net member contributions	Employer contributions	Investment income	Other	Total	Employer contributions as a percentage of annual covered payroll
1985	\$ 11,641	312,225	601,962	1,158	926,986	36.4%
1986	21,139	422,995	843,221	-	1,287,355	43.1
1987	22,113	477,457	794,636	162	1,294,368	44.8
1988	17,990	496,478	56,423	830	571,721	41.4
1989	16,508	529,816	687,228	-	1,233,552	44.7
1990	15,994	475,107	661,772	62	1,152,935	38.3
1991	13,008	434,877	483,930	4,870	936,685	33.6
1992	15,226	421,322	846,599	-	1,283,147	31.6
1993	(3,647)	448,767	990,092	-	1,435,212	32.5
1994	53,295	414,446	315,235	-	782,976	28.0

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

Expense by Type

(Unaudited)

(in thousands)

<u>Fiscal year ended June 30</u>	<u>Benefit payments</u>	<u>Refunds</u>	<u>Admini- strative expenses</u>	<u>Payments to other pension funds</u>	<u>Total</u>	<u>Employer contributions as a percentage of annual covered payroll</u>
1985	\$ 335,602	1,996	2	-	337,600	36.4%
1986	373,808	1,958	2	402,853	778,621	43.1
1987	408,428	1,437	3	246,321	656,189	44.8
1988	440,056	1,108	23	-	441,187	41.4
1989	490,688	1,105	5	2,508	494,306	44.7
1990	528,503	1,207	1	17,983	547,694	38.3
1991	576,901	874	-	-	577,775	33.6
1992	600,424	357	6	49,315	650,102	31.6
1993	618,303	1,104	5	113,336	732,748	32.5
1994	655,546	322	-	1,679	657,547	28.0

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

Cash Receipts and Disbursements

Year ended June 30, 1994

(in thousands)

Cash balance, July 1, 1993	\$ <u> -</u>
Add receipts:	
Members' contributions	52,796
Employer contributions	448,701
Interest and dividends	370,901
Investments redeemed	20,452,007
Increase in payable for investments purchased	(285,192)
Realized gain	<u>132,241</u>
Total cash receipts	<u>21,171,454</u>
Total cash available	<u>21,171,454</u>
Less disbursements:	
Transfer to Police Officer variable supplement fund	115,945
Benefit payments	655,273
Investments purchased	20,602,900
Transfers to other Police Department funds	1,679
Refunds	322
Receivable for investment securities sold	<u>(204,665)</u>
Total cash disbursements	<u>21,171,454</u>
Cash balance, June 30, 1994	\$ <u> -</u>

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

Investment Summary

Year ended June 30, 1994

(in thousands)

Type of Investment	June 30, 1993		Purchases	Sales and redemptions	Net amortization of premium and discount	June 30, 1994		% of total market value
	Book value	Market value				Book value	Market value	
Commercial paper	\$ 31,891	31,891	866,764	898,655	-	-	-	0.00%
Treasury bills	112,418	112,418	1,321,027	1,395,852	-	37,593	37,955	0.45
Repurchase agreements	23,865	23,865	5,501,923	5,399,448	-	126,340	126,340	1.51
Short-term investments fund	510,364	510,364	3,354,910	3,386,256	-	479,018	479,018	5.70
Total short-term investments	678,538	678,538	11,044,624	11,080,211	-	642,951	643,313	7.66
U.S. Government debt securities	2,172,809	2,266,824	7,198,237	7,525,930	(133)	1,844,983	1,781,852	21.20
Corporate debt securities	1,038,417	1,064,406	713,939	658,778	(37,932)	1,055,646	1,024,291	12.18
International investment fund - fixed income	63,000	92,610	-	-	-	63,000	101,871	1.21
Mortgages	11	11	-	11	-	-	-	-
Foreign debt securities	81,055	83,222	392,094	382,922	(442)	89,785	86,404	1.03
Total debt securities	3,355,292	3,507,073	8,304,270	8,567,641	(38,507)	3,053,414	2,994,418	35.62
Equity securities	2,320,976	3,989,878	975,405	729,519	-	2,566,862	4,054,117	48.23
International investment fund - equities	425,917	475,395	278,601	74,636	-	629,882	713,603	8.49
Total equity securities	2,746,893	4,465,273	1,254,006	804,155	-	3,196,744	4,767,720	56.72
Total investments	\$ 6,780,723	8,650,884	20,602,900	20,452,007	(38,507)	6,893,109	8,405,451	100.00%

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**ACTUARIAL SECTION
PART III**

FISCAL YEAR ENDED JUNE 30, 1994

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



December 27, 1994

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 For The Fiscal Year Ended June 30, 1994

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.

The actuarial cost method used to determine Fiscal Year 1994 employer contributions is the Frozen Entry Age Actuarial Cost Method, where the Unfunded Actuarial Accrued Liability ("UAL") was reestablished in accordance with the actuarial cost method as of June 30, 1990 as provided by Chapter 608 of the Laws of 1991 which also provided for schedules of payments toward the UAL, including the Balance Sheet Liability ("BSL") portion of the UAL.

Chapter 633 of the Laws of 1994 amended the schedules of payments toward the UAL and BSL to provide that the UAL and BSL as of June 30, 1993 be amortized over a period of 17 years beginning Fiscal Year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

The actuarial asset valuation method recognizes expected investment return immediately and phases in investment return greater or less than expected return over a period of five years.

Members Of The Board Of Trustees
December 27, 1994
Page 2

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

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

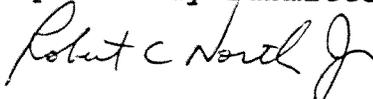
An investigation of the adequacy of the assumptions used to calculate employer contributions was completed on December 2, 1992 by William M. Mercer, Inc. ("Mercer"). The details of their findings may be found in their "Final Report on the Experience Study of the City of New York Retirement Systems". In their report Mercer recommended that no change be made to any of the assumptions at that time. However, they did recommend that certain economic and demographic assumptions be closely monitored. Mercer is expected to deliver an updated report on the experience of the Plan during December 1994.

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

Taking into account the analysis provided in Mercer's updated report, the Actuary expects to present recommendations for changes in actuarial assumptions and methods to the Board of Trustees during Fiscal Year 1995. The Actuary believes that such recommendations may result in increases, possibly significant increases, in employer contributions.

Various schedules in this Report present the financial position of the Plan, including information required by the Governmental Accounting Standards Board as of June 30, 1994.

Respectfully Submitted,



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

RCN/bs

4535:PC#2:WP/bs

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

- (1) The assumed investment return rate is 8.50% per annum.
- (2) The mortality tables for service and disability pensioners were developed from an experience study of the Plan's and the predecessor Plan's pensioners. Sample probabilities are shown in Table 1.
- (3) Retirement tables are used to predict retirements and deaths after eligibility for service benefits. Sample probabilities are shown in Table 2.
- (4) Active Service tables are used to predict various withdrawals from active service. Sample probabilities are shown in Table 3.
- (5) Salary Scales are used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The Salary Scale includes an assumed general wage inflation rate of 5 1/2%.
- (6) The valuation method assumes a closed group. Salaries of members on the valuation date are assumed to increase in accordance with the Salary Scale.
- (7) The Frozen Entry Age Actuarial Cost Method of funding is utilized by the Plan's Actuary to calculate the contributions from the employer.

Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the Unfunded Actuarial Accrued Liability ("UAL"), 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.

The UAL was reestablished in accordance with the Actuarial Cost Method as of June 30, 1990 as provided by Chapter 608 of the Laws of 1991, which also provided for schedules of payments toward the UAL, including the Balance Sheet Liability ("BSL") portion of the UAL.

Chapter 633 of the Laws of 1994 amended the schedules of payments toward the UAL and BSL to provide that the UAL and BSL as of June 30, 1993 be amortized over a period of 17 years beginning Fiscal Year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Continued)

- (8) The Actuarial Asset Valuation Method utilized to determine employer contributions is one that values the assets using a typical five-year average market value method.

However, if the asset value calculated in this manner exceeds 120% or is less than 80% of the Market Value on the valuation date, then it is lowered to 120% or raised to 80% of the Market Value, respectively.

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

- (9) The demographic assumptions described herein were adopted effective June 30, 1988. These assumptions were based on an experience study over the period July 1, 1982 through June 30, 1987. Details of this study are included in the Buck Consultants' report, Final Report on the Experience Study of Five Retirement Systems of the City of New York, dated July 26, 1988.

The assumed investment return assumption currently in use was adopted effective June 30, 1990 for determining employer contributions beginning Fiscal Year 1991, and was first used June 30, 1991 for determining Pension Benefit Obligations.

- (10) Male rates are used for both males and females, since the number of female members is not significant.
- (11) The salary data was adjusted to be consistent with collective bargaining agreements estimated to be achieved. The salary data was also adjusted to reflect overtime earnings by an assumed overtime rate of 4%.
- (12) In calculating the liability for active members, it is assumed that 82% of the benefits attributable to the period of service requiring member contributions are being funded by employer contributions (the remainder being funded by member contributions).

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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>
40	.3179%	.4192%
50	.5063	.9356
60	1.3447	1.9134
70	3.5049	4.5521
80	9.4393	12.0791
90	18.2404	21.5143
100	33.1849	35.3333
110	100.0000	100.0000

Table 2

Retirements and Deaths after Eligibility for Service Benefits

Percentage Of Eligible Active Members Retiring
Or Dying Within Next Year

Service Retirements

<u>Age</u>	<u>Years Of Service Since Elig.</u>			<u>Accident Disability Retirement</u>	<u>Ordinary Disability Retirement</u>	<u>Ordinary Death</u>	<u>Acci- dental Death</u>
	<u>0-1</u>	<u>1-2</u>	<u>2+</u>				
40	38.0000%	---	---	2.3262%	.9719%	.1387%	.020%
45	35.0000	15.0000%	10.0000%	2.4215	1.1253	.2426	.020
50	30.0000	15.0000	8.0000	2.5175	1.7789	.3899	.010
55	20.0000	10.0000	7.0000	3.1928	3.2860	.5662	---
60	20.0000	10.0000	7.0000	4.3876	5.8335	.7687	---
63	85.5450	85.5450	85.5450	5.3702	8.1797	.9051	---

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Table 3

Withdrawals From Active Service Before Eligibility For Service Benefits

Percentage of Active Members Separating Within Next Year

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

Table 4

Salary Scale

Age Assumed Annual Percentage Increases Within Next Year

20	13.42%
25	9.66
30	7.23
35	6.18
40	5.98
45	5.77
50	5.58
55	5.53
60	5.50

Of the total increase shown, 5 1/2% is assumed to represent General Wage Increase due to inflation and the remainder is assumed to represent merit and promotion.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

TREND OF ECONOMIC ASSUMPTIONS

To fully evaluate trends in financial soundness, changes in assumptions and benefits need to be evaluated. The economic assumptions used in the actuarial calculations for Pension Benefit Obligation ("PBO") are as follows:

<u>Valuation Date (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</u>
1985	8.0%	6.5%
1986	8.0	5.5
1987	8.0	5.5
1988	8.0	5.5
1989	8.25	5.5
1990	8.25*	5.5
1991	8.50*	5.5
1992	8.50	5.5
1993	8.50	5.5
1994	8.50	5.5

* The assumed rate of return on investments was changed to 8.50% per annum effective June 30, 1990 for determining employer contributions beginning with the Fiscal Year 1991. For determining PBO, this assumption became effective June 30, 1991.

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 INCREASE IN AVERAGE PAY</u>
6-30-85	26,986	\$ 867,997,441	\$ 32,165	5.9%
6-30-86	27,380	958,948,300	35,024	8.9
6-30-87	28,341	1,049,129,615	37,018	5.7
6-30-88	28,144	1,163,247,025	41,332	11.7
6-30-89*	26,440	1,184,041,790	44,782	8.3
6-30-90	25,927	1,241,937,674	47,901	7.0
6-30-91	27,368	1,303,588,785	47,632	(0.6)
6-30-92	27,249	1,332,598,223	48,904	2.7
6-30-93	28,166	1,379,927,841	48,993	0.2
6-30-94	31,059	1,478,485,171	47,602	(2.8)

* Prior to June 30, 1989, Number included all members who were not officially withdrawn and Annual Payroll included the last valuation salaries of all such members. In addition, overtime earnings were not reflected in Annual Payroll.

Beginning June 30, 1989, Number includes only those who were on payroll as of the valuation date and Annual Payroll includes only the salaries of those on payroll as of the valuation date, increased by 4% to reflect overtime earnings and, where applicable, adjusted to be consistent with collective bargaining agreements estimated to be achieved.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

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

(1) Prior to June 30, 1991 Number Added to Rolls equaled actual Pension Numbers issued during fiscal year even if not on payroll as of June 30. From June 30, 1991 thru June 30, 1993 this includes beneficiaries who became entitled to benefits due to death of retirants. Beginning June 30, 1994 this excludes beneficiaries who became entitled to benefits due to death of retirants and also excluded those who were not on payroll as of June 30.

(2) Prior to June 30, 1991 Number Removed from Rolls equaled actual Termination Numbers issued during fiscal year. From June 30, 1991 thru June 30, 1993 this includes retirants who deceased and left beneficiaries entitled to benefits. Beginning June 30, 1994 this excludes retirants who deceased and left beneficiaries who were on payroll as of June 30 and includes all those who went off payroll by June 30, even if a Termination Number was not issued.

(3) 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 Percent Increase in Annual Allowances for June 30, 1994 are calculated using these revised figures for June 30, 1993.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

ANALYSIS OF FUNDING PROGRESS IN CONFORMITY WITH THE PLAN'S FUNDING METHOD

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

AT JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITIES	ASSETS AS A % OF ACTUARIAL ACCRUED LIABILITIES	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAL)	ACTIVE MEMBER PAYROLL	UAL AS A % OF ACTIVE MEMBER PAYROLL
-----	-----	-----	-----	-----	-----	-----
	(a)	(b)	(a)/(b)=(c)	(b)-(a)=(d)	(e)	(d)/(e)=(f)
	(\$ IN THOUSANDS)					
1984.....	\$2,812,959	\$4,195,463	67.0%	\$1,382,504	\$747,330	185.0%
1985.....	3,098,196	4,726,857	65.5%	1,628,661	886,142	183.8%
1986.....	3,363,344	5,002,539	67.2%	1,639,195	980,554	167.2%
1987.....	3,827,780	5,573,444	68.7%	1,745,664	1,066,248	163.7%
1988.....	4,301,900	6,114,974	70.4%	1,813,074	1,196,135	151.6%
1989.....	5,043,761	6,814,238	74.0%	1,770,477	1,184,042	149.5%
1990.....	5,670,648	7,112,098	79.7%	1,441,450	1,241,938	116.1%
1991.....	6,444,866	7,842,497	82.2%	1,397,631	1,303,589	107.2%
1992.....	6,718,629	8,076,292	83.2%	1,357,663	1,332,598	101.9%
1993.....	7,268,101	8,583,023	84.7%	1,314,922	1,379,928	95.3%
1994.....	NA	NA	NA	NA	NA	NA

NA - NOT AVAILABLE

TO EFFECTIVELY ASSESS THE FUNDING PROGRESS OF THE PLAN, IT IS NECESSARY TO COMPARE THE ACTUARIAL VALUE OF ASSETS AND THE ACTUARIAL ACCRUED LIABILITIES CALCULATED IN A MANNER CONSISTENT WITH THE PLAN'S FUNDING METHOD OVER A PERIOD OF TIME.

THE ACTUARIAL VALUE OF ASSETS, USED TO DETERMINE THE EMPLOYER CONTRIBUTION RATE, IS SMOOTHED TO DAMPEN THE EFFECTS OF MARKET FLUCTUATIONS. AMOUNTS ATTRIBUTABLE TO MEMBER CONTRIBUTIONS ARE EXCLUDED FROM BOTH THE ACTUARIAL VALUE OF ASSETS AND THE ACTUARIAL ACCRUED LIABILITIES. FOR PURPOSES OF MAKING THESE CALCULATIONS, ACCRUED PENSION CONTRIBUTIONS RECEIVABLE (BSL) FROM THE EMPLOYERS WERE NOT INCLUDED IN THE ACTUARIAL VALUE OF ASSETS.

THE ACTUARIAL ACCRUED LIABILITIES ARE CALCULATED CONSISTENT WITH THE PLAN'S FUNDING METHOD AND ACTUARIAL ASSUMPTIONS THEN IN EFFECT.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED BY NET ASSETS
AVAILABLE FOR BENEFITS
(SOLVENCY TEST)
(in thousands of dollars)

ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

VALUATION DATE	ACCUMULATED MEMBER CONTRIBUTIONS	CURRENT RETIRANTS AND BENEFICIARIES	TERMINATED VESTED PARTICIPANTS	ACTIVE MEMBERS' EMPLOYER FINANCED PORTIONS	NET ASSETS AVAILABLE FOR BENEFITS	PERCENTAGE OF ACTUARIAL VALUE COVERED BY NET ASSETS AVAILABLE FOR BENEFITS ^(b)			
	(A)	(B)	(C)	(D)	(E)	(A)	(B)	(C)	(D)
6/30/85	\$118,509	\$2,965,484	\$29,278	\$2,499,708	\$4,161,276	100	100	100	41.9
6/30/86	152,126	3,478,530	26,663	3,511,832	4,670,010	100	100	100	28.8
6/30/87	222,485	3,844,596	24,092	3,678,334	5,308,189	100	100	100	33.1
6/30/88 ^(a)	270,000	4,142,503	18,100	2,607,825	5,438,723	100	100	100	38.7
6/30/89 ^(a)	294,000	4,352,964	10,238	2,852,058	6,177,969	100	100	100	53.3
6/30/90	320,000	4,614,605	6,993	2,952,385	6,783,210	100	100	100	62.4
6/30/91 ^(a)	351,555	5,014,214	5,656	2,918,770	7,142,120	100	100	100	60.7
6/30/92	384,956	5,327,135	6,923	3,095,766	7,775,165	100	100	100	66.4
6/30/93	404,412	5,539,581	5,116	3,226,068	8,477,629	100	100	100	78.1
6/30/94	484,306	5,832,456	4,972	3,336,569	8,603,058	100	100	100	68.4

- 1) For a pension system receiving actuarially determined contribution amounts, the total of actuarial values (A), (B) and (C) should generally be fully covered by assets, i.e. the first three percentage columns should be 100% and the portion of the actuarial value (D) covered by assets should increase over time.
- 2) The method of calculating the actuarial present value of credited projected benefits for active members was revised as of June 30, 1988. The revised method pro-rated the projected benefit using service to valuation date as required by GASB Statement No. 5. The former method used the accrued benefit based on the Plan's benefit formula as of the valuation date.
- 3) Effective June 30, 1989 the actuarial assumptions for investment return rate, mortality, turnover and retirement were changed.
- 4) Effective June 30, 1991 the actuarial assumption for investment return rate changed.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
 SCHEDULE OF RECOMMENDED VS. ACTUAL CONTRIBUTIONS
 (in thousands)

<u>FISCAL YEAR ENDED</u>	<u>ACTUAL EMPLOYER CONTRIBUTION*</u>	<u>ACTUARY'S RECOMMENDED CONTRIBUTIONS</u>	<u>EMPLOYER RATES OF CONTRIBUTION**</u>
		\$ 315,022	42.153%
6-30-85	\$ 315,022	426,015	48.075
6-30-86	426,015	480,720	49.025
6-30-87	480,720	500,001	46.893
6-30-88	500,001	533,621	44.612
6-30-89	533,621	477,397	40.319
6-30-90	477,397	443,582	35.717
6-30-91	443,582	432,223	33.156
6-30-92	432,223	462,098	34.676
6-30-93	462,098	418,113****	30.300
6-30-94	418,113***		

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

** The employer rates of contribution represent a percentage of the salaries of members who were on payroll as of the preceding June 30th increased by 4% to reflect overtime earnings and, where applicable, adjusted to be consistent with collective bargaining agreements estimated to be achieved.

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

**** The amount shown for Fiscal Year 1994 was not recommended by the Actuary, but was computed by the Actuary in accordance with Chapter 633 of the Laws of 1994.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

STATEMENT OF PENSION BENEFIT OBLIGATION
(in thousands)

The excess of the Pension Benefit Obligation ("PBO") over the Net Assets Available for Benefits has been calculated by the Plan's Actuary as of June 30, 1994 and 1993 and amounted to:

ITEM	1994 (Millions)	1993 (Millions)
Pension Benefit Obligation for: Retirees and beneficiaries currently receiving benefits and terminated vested members not yet receiving benefits	\$ 5,837	\$ 5,545
Current Employees:		
Employee contributions with interest	484	404
Employer-financed vested	963*	1,206**
Employer-financed nonvested	<u>2,374</u>	<u>2,030</u>
Total Pension Benefit Obligation***	\$ 9,658	\$ 9,185
Net Assets Available for Benefits	<u>\$ 8,603</u>	<u>\$ 8,478</u>
Unfunded Pension Benefit Obligation	<u>\$ 1,055</u>	<u>\$ 707</u>

* The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and only that portion of benefits subject to vesting that have been accrued to date.

** The employer-financed vested portion of the PBO for current employees is based on current service, current salaries and that portion of all benefits accrued to date.

*** The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5, and should be considered with reference to the actuarial assumptions used.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF PLAN PROVISIONS

DEFINITIONS

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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

BENEFITS

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

I. SERVICE RETIREMENT

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Upon retirement after having become eligible for service retirement the member receives an allowance which is the sum of (a) 50% of final salary, reduced by an annuity which is the actuarial equivalent of the minimum accumulation, (b) an annuity which is the actuarial equivalent of the accumulated deduction and (c) for all years of service other than the minimum required service:

- (i) for a member who joined prior to July 1, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each year of such service; for a member who joined after June 30, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each of the first ten years of such service, and
- (ii) a pension for ITHP which is the actuarial equivalent of the reserve for ITHP.

II. ORDINARY DISABILITY RETIREMENT

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

III. ACCIDENT DISABILITY RETIREMENT

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

IV. ORDINARY DEATH BENEFIT

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

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

V. ACCIDENT DEATH BENEFIT

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

The accidental death benefit is a lump sum payment of the reserve for ITHP and a pension equal to one-half of the average salary in the five years immediately preceding death but not less than one-half the full salary of a first grade patrolman, payable to the widow for life, or if there is no widow, to a child, or children until the attainment of age 18

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

or age 23 if a full-time student, or if there is no widow or child, to the dependent parents. In addition, the member's accumulated deductions are paid to his/her estate or designated beneficiary.

VI. TERMINATION OF EMPLOYMENT

A member, who either resigns or is dismissed, receives a benefit equal to his accumulated deductions. At resignation with at least 15 years of service, at least 5 of which immediately precede resignation, the member may elect, in lieu of a return of his accumulated deductions, to receive a service retirement allowance reduced in proportion to his years of service. The allowance is deferred to the earliest date on which the member would have been eligible for service retirement had the member not resigned. Should a member who elected to receive a vested retirement allowance die during the period of deferment, the benefit is the accumulated deductions.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

VII. DEPENDENT BENEFIT

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

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

Supplemental Retirement Allowances are payable during the life of certain retired members. It is also payable during the life of spousal beneficiaries, where 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.

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

OPTIONS ON RETIREMENT

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

CONTRIBUTIONS

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

I. EMPLOYEE CONTRIBUTIONS

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

II. EMPLOYER CONTRIBUTIONS

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

Employer contributions, including the amount to fund the employer contribution receivable - long-term, are accrued by the Plan and are funded by the employer on a current basis and amounted to \$418,113,052 for the Fiscal Year ended June 30, 1994.

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATISTICAL SECTION
PART IV**

FISCAL YEAR ENDED JUNE 30, 1994

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF BENEFIT EXPENSES BY TYPE
(in thousands)

BENEFIT PAYMENTS

<u>FISCAL YEAR</u>	<u>SERVICE AND DISABILITY RETIREMENT</u>	<u>ORDINARY DEATH IN SERVICE</u>	<u>PAYMENTS DEATH AFTER RETIREMENT</u>	<u>LINE OF DUTY DEATHS</u>	<u>TOTAL</u>
6-30-85	\$323,003	\$ 7,992	\$2,663	\$1,944	\$335,602
6-30-86	358,909	10,836	2,004	2,059	373,808
6-30-87	393,734	9,787	2,788	2,119	408,428
6-30-88	429,503	6,031	2,275	2,247	440,056
6-30-89	476,331	9,707	2,322	2,328	490,688
6-30-90	515,693	8,282	2,070	2,458	528,503
6-30-91	556,232	15,500	2,481	2,690	576,903
6-30-92	589,091	5,544	3,003	2,785	600,423
6-30-93	608,515	2,962	4,008	2,818	618,303
6-30-94	645,751	3,774	2,905	3,116	655,546

NEW YORK CITY PENSION - SUBCHAPTER 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE

JUNE 30, 1994

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	1	17,760	1	24,600
40 to 44	352	25,632	9	22,347
45 to 49	1913	25,236	41	23,763
50 to 54	3506	22,532	55	23,587
55 to 59	2777	19,618	37	21,097
60 to 64	2235	16,520	26	19,832
65 to 69	2707	14,540	41	11,319
70 to 74	2322	11,882	30	11,132
75 to 79	1532	11,623	17	9,538
80 to 84	249	12,573	14	12,515
85 to 89	1	14,534	0	0
90 & up	0	0	0	0

NEW YORK CITY PENSION - SUBCHAPTER 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE

JUNE 30, 1994

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	4	\$12,037	2	\$12,120
30 to 34	26	13,708	11	15,793
35 to 39	50	15,409	21	17,010
40 to 44	102	14,065	13	16,344
45 to 49	442	12,820	18	15,513
50 to 54	646	12,605	16	14,007
55 to 59	400	17,912	13	10,827
60 to 64	540	27,116	15	15,112
65 to 69	886	29,024	8	23,633
70 to 74	623	24,222	14	16,171
75 to 79	298	21,225	10	21,450
80 to 84	52	21,976	0	0
85 to 89	0	0	1	15,330
90 & up	0	0	0	0

NEW YORK CITY PENSION - SUBCHAPTER 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE

JUNE 30, 1994

ACCIDENT DISABILITY RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	54	\$32,539	13	\$30,972
30 to 34	372	32,703	59	32,083
35 to 39	396	32,767	61	31,301
40 to 44	514	29,758	33	29,298
45 to 49	1546	27,390	44	26,581
50 to 54	1873	26,943	29	32,944
55 to 59	969	27,043	11	30,997
60 to 64	749	28,327	2	16,912
65 to 69	855	28,618	10	26,117
70 to 74	516	22,825	2	24,647
75 to 79	218	20,336	3	16,434
80 to 84	46	19,505	0	0
85 to 89	0	0	0	0
90 & up	0	0	0	0

SCHEDULE OF BENEFIT EXPENSES BY TYPE
JUNE 30, 1994

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

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
UNDER 30	1	\$13,586	5	\$15,385
30 to 34	0	0	3	12,528
35 to 39	0	0	0	0
40 to 44	0	0	4	17,477
45 to 49	0	0	7	18,608
50 to 54	0	0	8	16,071
55 to 59	0	0	10	11,194
60 to 64	0	0	26	14,787
65 to 69	0	0	49	10,609
70 to 74	0	0	67	8,405
75 to 79	0	0	49	8,270
80 to 84	0	0	15	9,600
85 to 89	0	0	1	4,317
90 & up	0	0	0	0

SCHEDULE OF BENEFIT EXPENSES BY TYPE
JUNE 30, 1994

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	1	\$22,060	3	\$18,857
30 to 34	0	0	7	24,223
35 to 39	0	0	9	21,765
40 to 44	0	0	22	16,095
45 to 49	0	0	40	13,116
50 to 54	0	0	57	12,437
55 to 59	1	23,282	27	8,847
60 to 64	1	19,040	44	8,519
65 to 69	0	0	30	7,535
70 to 74	1	22,227	21	6,885
75 to 79	0	0	9	5,755
80 to 84	0	0	4	5,834
85 to 89	0	0	0	0
90 & up	0	0	0	0

**NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ANALYSIS OF PORTFOLIO YIELDS**

JUNE 30, 1992 - 1991

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1992			1991			
	MARKET VALUE	YIELD ON MARKET VALUE	COST	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$38,825	7.4%	\$38,825	\$7,145	50.4%	\$7,145	50.4%
Treasury Bills	--	--	--	--	--	--	--
Commercial Paper	114,263	5.6	114,263	84,287	3.0	84,287	3.0
Short Term Investment Fund	400,923	8.2	400,923	176,635	3.0	176,635	3.0
Bonds:							
U.S. Government	2,089,021	11.9	2,020,493	1,997,980	10.0	1,988,675	10.0
Corporate	893,931	11.6	874,036	716,993	9.6	715,445	9.6
Other: Foreign	76,699	14.3	75,068	64,102	11.8	64,173	11.9
International Investment Fund & Fixed Income	83,223	5.2	63,000	65,520	8.7	63,000	9.0
Mortgages	91	7.4	91	569	7.5	569	7.5
Equities	3,578,209	14.2	2,197,531	3,155,829	5.9	2,026,739	9.2
International Fund - Equities	417,023	(3.8)	421,554	314,135	(11.7)	332,663	(11.4)

**NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ANALYSIS OF PORTFOLIO YIELDS**

JUNE 30, 1990

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1,990		YIELD ON COST
	MARKET VALUE	YIELD ON MARKET VALUE	
Securities purchased under agreements to resell:	--	--	--
Treasury Bills	--	--	--
Commercial Paper	\$185,367	5.5%	\$185,367 5.5%
Short Term Investment Fund	393,906	5.8	393,906 5.8
Bonds:			
U.S. Government	2,093,137	9.7	2,083,963 9.9
Corporate	680,378	9.9	680,367 5.0
Other: Foreign	73,945	9.1	73,544 9.3
International Investment Fund & Fixed Income	--	--	--
Mortgages	773	7.6	773 7.6
Equities	3,135,998	12.4	2,044,120 18.9
International Fund - Equities	--	--	--

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>
6-30-85	12,030	\$11,003	3,425	\$14,033	5,158	\$19,141
6-30-86	13,066	11,728	3,827	15,164	6,071	20,671
6-30-87	14,255	12,767	4,104	16,622	6,706	22,103
6-30-88	14,229	13,495	4,075	17,330	6,681	22,894
6-30-89	14,426	13,760	4,058	17,422	6,802	23,148
6-30-90	14,711	14,125	4,030	17,487	6,879	23,383
6-30-91*	17,262	16,342	4,274	19,053	7,606	25,302
6-30-92	17,394	16,998	4,257	20,226	7,868	26,596
6-30-93	17,390	17,672	4,282	21,045	8,178	27,582
6-30-94	17,866	17,942	4,211	21,084	8,375	27,705

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