
New York City Police Pension Fund

Article 2



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

Fiscal Year Ended
June 30, 1990
New York, New York

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NEW YORK CITY POLICE PENSION FUND - ARTICLE 2

COMPONENT UNIT FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1990

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

Actuary

Robert C. North, Jr., Chief Actuary

Custodian of the Funds

Elizabeth Holtzman, Comptroller of the City of New York

Headquarters Address

One Police Plaza, New York, New York 10038

Board of Trustees

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Hon. Lee P. Brown, Police Commissioner, Chairman
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**NEW YORK CITY POLICE PENSION FUND-ARTICLE 2
COMPONENT UNIT FINANCIAL REPORT**

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NEW YORK CITY POLICE PENSION FUND - ARTICLE 2

COMPONENT UNIT FINANCIAL REPORT

INTRODUCTORY SECTION

PART I

FOR THE

FISCAL YEAR ENDED JUNE 30, 1990

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police Pension Fund Article 2

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1989

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



Gary R. Nordstrom
President

Jeffrey L. Esselt
Executive Director



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

December 15, 1990

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

The Component Unit Financial Report of the Police Pension Fund Article 2 for the fiscal year ended June 30, 1990 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.

KPMG Peat Marwick our independent auditors has audited our Financial Statements and has submitted an independent auditors report which is included in this book. The audit was conducted in accordance with generally accepted accounting and auditing principles and standards.

The report has been prepared in accordance with the principles of Governmental Accounting and Reporting promulgated by the Governmental Accounting Standards Board. In November of 1986, the Government Accounting Standards Board (GASB) issued Statement No. 5, "Disclosure of Pension Information by Public Employees 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. Every year we review our Internal Control Systems and procedures to ensure its adequacy.

It is our objective to present fairly the financial statements, supporting schedules and statistical tables. An annual examination of existing Internal Controls is performed in compliance with Directive #1 - Internal Controls issued by the Office of the Comptroller of the City of New York. This study and evaluation disclosed no condition that is a material weakness. This report will be forwarded to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

This report consists of four sections:

An Introductory Section which contains the Commanding Officer's Letter of Transmittal and the identification of the Administrative Organization and consulting services utilized by the system, a financial section which contains the opinion of the Independent Certified public accountants as well as the Financial Statements of the fund; an Actuarial Section which contains the system's Actuarial Data and the systems Actuarial Certification Letter, the last section contains Statistical Tables of Significant Data pertaining to the New York City Police Pension Fund Article 2. The New York City Police Pension Fund Article 2 represents the Finest Police Officers in the world. During 1975 the City of New York experienced a fiscal crisis. The Police Pension Fund Article 2 as well as the four other actuarial city employee pension funds, (New York City Employee's Retirement System, Teachers' Retirement System, Fire Pension Fund and Board of Education Pension Fund) purchased millions of dollars of Bonds from the city which helped the city avoid bankruptcy.

Economic Condition and Outlook - The nation as well as the city has entered into a recession. Consumer spending on goods and services, business and all levels of government spending declined. Unemployment is constantly rising. The Iraqi invasion of Kuwait has prompted significant increases in oil prices which has been responsible for higher inflation and reduction of income for consumers. Also the profits of corporations and financial markets have felt the adverse effects of the events in the Persian Gulf. Retail and real estate sales have been at an all time low especially in the city. Problems in sales, real estate, finance, manufacturing, construction and business in general indicate no signs of improvement. High inflation, unemployment, taxation and crime has caused adverse effects of the lives of our citizens.

Major Initiatives for the Year

David Dinkins was elected Mayor and Elizabeth Holtzman Comptroller. Both City Officials took office on January 1, 1990. The Board of Estimate was eliminated as the City's final decision making authority on budgeting and vital matters. The new city charter strengthens the powers of the Mayor, Comptroller and the City Council. The new charter expands the number of seats of that body from 36 to 51 which provides increased representation to the citizens especially minority ones. Mayor Dinkins became chief executive of this city at a critical time in our history. A huge budget gap, drugs, aids, housing and crime are the major problems that the administration must resolve. The mayor decided to close the budget gap with a variety of new tax revenues, continuation of old temporary taxes, productivity and on increasing the monies received from various revenue generating activities. Also across the board cuts for all city agencies and city executives salaries went into effect. Additional funds were allocated for drug treatment, aids and putting more resources into the construction of the housing industry.

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 thus saving the City of New York millions of dollars. The pension plan also adopted policies of social responsibility. Programs were developed to improve the quality of life in New York City and also the Economy of the City as well as earn market rates of return. The Small Business Administration Loan Program provides funds to finance small business loans in New York City. The Program, sponsored by our Retirement System has \$50 million committed for these loans, provided a market rate of return and are guaranteed by the United States Government.

The following are consultants for the various types of investments:

FIXED INCOME ADVISORS

GOVERNMENT

Fischer, Francis
Investment Advisers
- Mellon Bond Associates
Putnam Companies
Wells Fargo

MORTGAGE

Bear Stearns
Miller, Anderson
Pimco

CORPORATE

Bankers Trust
T. Rowe Price

FOREIGN

Fiduciary Trust
Total Yankee

EQUITY ADVISORS

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

We are constantly monitoring the performance of the above advisors to ensure optimum performance. 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 Chief Actuary employed by the Board of Trustees of the City's main Pension Systems. The City's Corporation Counsel provides legal services to the fund. All financial information is discussed in the financial section.

For the Future

The crime problem has become of major significance affecting the lives of many New Yorkers. The Mayors' "Safe Streets, Safe City Program" represents a comprehensive approach for dealing with our city's crime problems with a primary emphasis upon the police. The Police Department will adopt community policing as its dominant operational philosophy with the goal of having police officers in every neighborhood and every street in the city. The city plans to add 6,479 new officers between now and fiscal year 1992, redeploying existing police personnel and greater emphasis on civilianization. The Police Department planned redeployment of existing resources and deployment of new resources will result in an increase in the number of Police Officers on patrol daily from 6,640 to 10,227 - an increase of 54%. The Police Department's uniform headcount will be increased to 31,944 - the highest in the department's history and civilian personnel will be increased to 10,461.

Program Focus

It is the aim of our investment advisors to provide safe and high rates of return for all our investments. The Board of Trustees reviews the performance of the investment advisors periodically in order that maximum returns can be realized. Total assets increased by 15.7% and net assets available for pension benefits increased by 9.7% for fiscal year 1990. Stock Market returns climbed substantially in the three months ending June 30, 1990. The Standard & Poor's 500 Stock composite index returned a 6.3% compared with 3.0% in the March 1990 quarter. Bond Market returns also increased sharply. the rate of return on Treasury Bills increased as well.

Financial Overview and Fund Structure

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

- 1) The Annuity Savings Fund
- 2) The Contingent Reserve Fund
- 3) The Annuity Reserve Fund
- 4) The Pension Reserve Fund
- 5) The Group Life Insurance Fund.

The Annuity Savings Fund are contributions received from active members usually through payroll deductions.

The Contingent Reserve Fund are the employer contributions.

The Annuity Reserve Fund are member contributions transferred at retirement to provide annuity portion of retirement allowance.

The Pension Reserve Fund are employer contributions transferred at retirement to provide the pension portion at retirement.

The Group Life Insurance Plan are employer contributions used to provide in the event death benefits are payable to the beneficiary or estate of a member such part of the benefits derived from city contributions (not exceeding \$50,000) shall be paid as insurance from The Group Life Insurance Fund. The Police Pension Fund Article 2 is composed of the five above funds.

OTHER INFORMATION

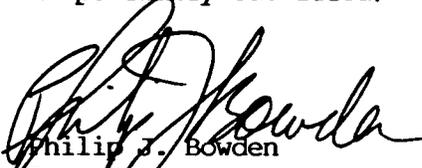
The Government Finance Officers Association of the United States and Canada (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Article 2 for its Component Unit Financial Report for the fiscal years ending June 30, 1986, June 30, 1987, June 30, 1988 and June 30, 1989. In order to be awarded a certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

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

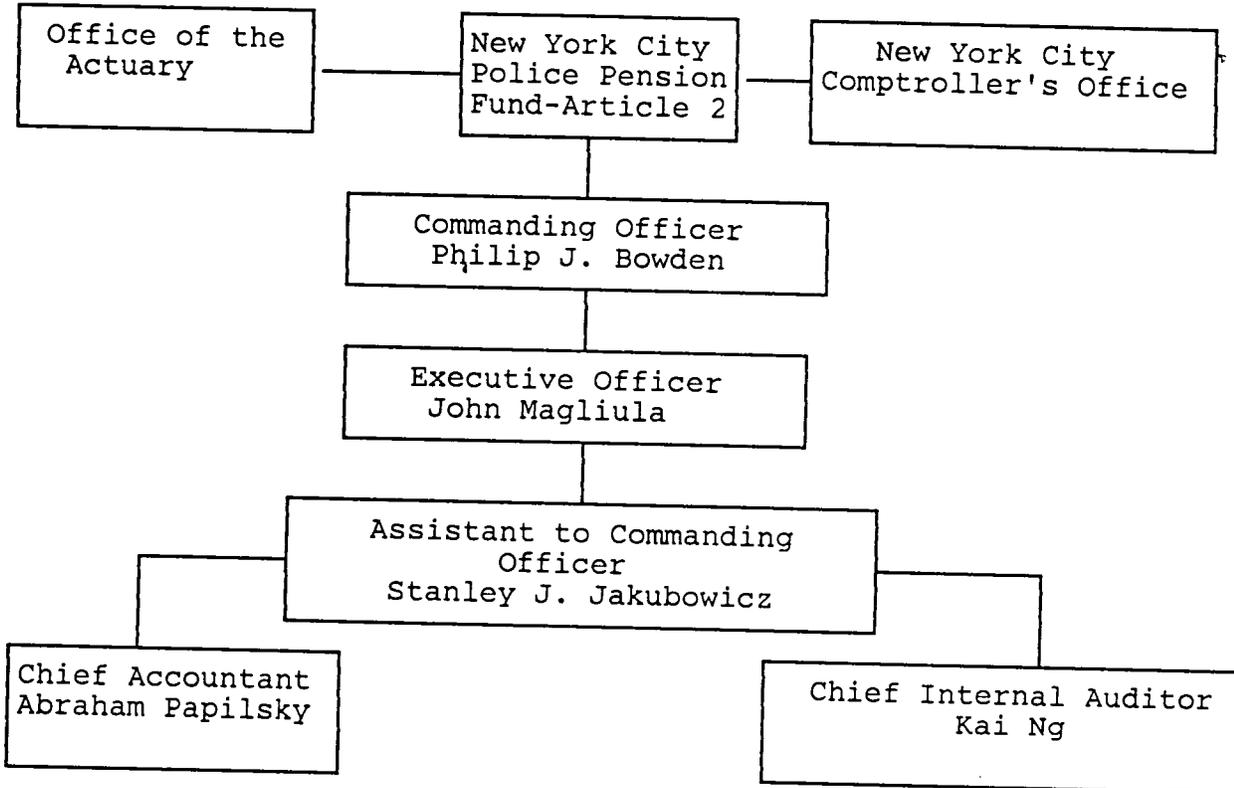
Respectfully submitted,



Philip J. Bowden
Inspector
Commanding Officer
Pension Section

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2

ADMINISTRATIVE ORGANIZATION



NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
SUMMARY SCHEDULE OF COMPENSATION OF ADMINISTRATIVE
OFFICIALS AND COMMISSIONS & PAYMENTS TO OUTSIDE SERVICES
FISCAL YEAR ENDED JUNE 30, 1990

COMPENSATION OF
ADMINISTRATIVE OFFICIALS

SALARY OR
ALLOWANCE PAID

Commanding Officer	\$82,662
Executive Officer	57,274
Assistant to Commanding Officer	49,898
Chief Accountant	39,030
Chief Internal Auditor	33,381

Portion of Salary
Allocated to Police
Pension Fund
Article 2

Compensation of Other Officials

Comptroller	\$21,000
Corporation Counsel	20,900

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2

COMPONENT UNIT FINANCIAL REPORT

FINANCIAL SECTION

PART II

FOR THE

FISCAL YEAR ENDED JUNE 30, 1990

KPMG Peat Marwick

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Certified Public Accountants

345 Park Avenue
New York, NY 10154

Independent Auditors' Report

To the Board of Trustees
New York Police Department
Pension Fund - Article 2:

We have audited the accompanying statements of net assets available for pension benefits of the New York Police Department Pension Fund - Article 2 (the Plan) as of June 30, 1990 and 1989, and the related statements of changes in net assets available for pension benefits, and cash flows for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for pension benefits of the New York Police Department Pension Fund - Article 2 at June 30, 1990 and 1989, and the changes in net assets available for pension benefits and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules 4 through 6 are presented for purposes of additional analysis and are not a required part of the financial statements of the Plan. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The historical pension information 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG Peat Marwick

October 26, 1990

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Statements of Net Assets
Available for Pension Benefits

June 30, 1990 and 1989

<u>Assets</u>	<u>1990</u>	<u>1989</u>
	(in thousands)	
Investments (notes 2 and 3):		
Securities purchased under agreements to resell	\$ -	56,372
Other short-term investments	579,273	258,363
Debt securities:		
U.S. Government	2,083,963	1,861,512
Corporate	680,637	568,392
Other	73,544	60,823
Equity securities	3,135,998	2,781,980
Mortgages	773	970
Total investments	<u>6,554,188</u>	<u>5,588,412</u>
Cash	-	25,823
Receivables for investment securities sold	44,109	9,795
Accrued interest and dividends receivable	55,747	48,980
Employer contribution receivable - long term (note 8)	547,814	551,533
Other assets	<u>3,398</u>	<u>2,789</u>
Total assets	<u>7,205,256</u>	<u>6,227,332</u>
 <u>Liabilities</u> 		
Liabilities:		
Due to New York Police Department Variable Supplement Funds (note 4)	17,983	-
Accounts payable	45,083	-
Payables for investment securities purchased	335,507	36,721
Accrued benefits payable	23,473	12,642
Total liabilities	<u>422,046</u>	<u>49,363</u>
Contingent liabilities (note 10)		
Net assets available for pension benefits	<u>\$ 6,783,210</u>	<u>6,177,969</u>

See accompanying notes to financial statements.

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Statements of Changes in Net Assets
Available for Pension Benefits

Years ended June 30, 1990 and 1989

	<u>1990</u>	<u>1989</u>
	(in thousands)	
Contributions (notes 5 and 8):		
Member contributions, net of loans to members	\$ 15,994	16,508
Employer contributions	<u>475,107</u>	<u>529,816</u>
Total contributions	<u>491,101</u>	<u>546,324</u>
Investment income:		
Interest income	273,924	240,824
Dividend income	93,064	93,414
Net realized and unrealized gain (loss) on investments (note 2)	<u>294,784</u>	<u>352,990</u>
Net investment income	<u>661,772</u>	<u>687,228</u>
Total contributions and investment income	<u>1,152,873</u>	<u>1,233,552</u>
Benefit payments and withdrawals (note 1)	529,711	491,798
Payments to (from) other funds, net	(62)	2,508
Due to New York Police Department Variable Supplement Funds (note 4)	<u>17,983</u>	<u>-</u>
Total benefit payments, withdrawals and net payments to other funds	<u>547,632</u>	<u>494,306</u>
Increase in net assets available for pension benefits	605,241	739,246
Net assets available for pension benefits at beginning of year	<u>6,177,969</u>	<u>5,438,723</u>
Net assets available for pension benefits at end of year	\$ <u>6,783,210</u>	<u>6,177,969</u>

See accompanying notes to financial statements.

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 NEW YORK POLICE DEPARTMENT
 PENSION FUND - ARTICLE 2

Statements of Cash Flows

Years ended June 30, 1990 and 1989

	<u>1990</u>	<u>1989</u>
	(in thousands)	
Cash flows from operating activities:		
Increase in net assets available for pension benefits	\$ <u>605,241</u>	<u>739,246</u>
Adjustments to reconcile increase in net assets available for pension benefits to net cash provided by operating activities:		
Amortization of premiums and discounts - net	(5,411)	1,645
Gain on sale of securities	(150,146)	(57,342)
Decrease in unrealized appreciation of equity securities	(144,638)	(295,648)
Increase in accrued interest and dividends receivable	(6,767)	(4,833)
Decrease in employer contribution receivable - long term	3,719	3,805
Increase in other assets	(609)	(351)
Increase (decrease) in accounts payable - long term	45,083	(19,449)
Increase in accrued benefits payable	10,831	8,640
Increase in due to New York Police Department Variable Supplements Funds	<u>17,983</u>	<u>-</u>
Total adjustments	<u>(229,955)</u>	<u>(363,533)</u>
Net cash provided by operating activities	<u>375,286</u>	<u>375,713</u>
Cash flows from investing activities:		
Proceeds on sale of securities	19,680,887	15,499,457
(Increase) decrease in receivables for investment securities sold	(34,314)	28,408
Payments for the purchase of securities	(20,346,468)	(15,836,475)
Increase (decrease) in payables for investment securities purchased	<u>298,786</u>	<u>(41,280)</u>
Net cash used in investing activities	<u>(401,109)</u>	<u>(349,890)</u>
Net increase (decrease) in cash	(25,823)	25,823
Cash at beginning of year	<u>25,823</u>	<u>-</u>
Cash at end of year	\$ <u><u>-</u></u>	<u><u>25,823</u></u>

See accompanying notes to financial statements.

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 NEW YORK POLICE DEPARTMENT
 PENSION FUND - ARTICLE 2

Notes to Financial Statements

June 30, 1990 and 1989

(1) Plan Description

The City of New York (the City) maintains a number of pension systems providing benefits for its full-time employees and employees of various agencies (as defined). The City's main pension systems are the New York Police Department Pension Fund - Article 2 (the Plan), the New York City Employees' Retirement System, the Teachers' Retirement System, the Board of Education Retirement System and the Fire Department Pension Fund - Article 1-B. Each pension system is a separate Public Employee Retirement System (PERS) with a separate oversight body and is financially independent of the others.

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

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for full-time uniformed employees of the Police Department.

The Plan is a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a trust and agency fund.

All full-time uniformed employees of the Police Department are required to become members of the Plan upon employment.

At June 30, 1990 and 1989, the Plan's membership consisted of:

	<u>1990</u>	<u>1989</u>
Retirees and beneficiaries currently receiving benefits	28,726	27,394
Terminated, but not yet receiving benefits	<u>65</u>	<u>91</u>
Total	<u>28,791</u>	<u>27,485</u>
Current employees:		
Vested	6,744	8,276
Nonvested	<u>19,509</u>	<u>18,389</u>
Total active membership	<u>26,253</u>	<u>26,665</u>

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(1), Continued

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

A service retirement provides an allowance of one half of "final salary" (as defined) after 20 or 25 years of service, with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of "average salary" (as defined) times number of years in excess of the 20 or 25 year minimum. These additional benefits are increased, where applicable, by any annuity attributable to employee contributions with respect to service over the 20 or 25 year minimum and by any benefits attributable to the employer's contributions with respect to such service under the "Increased-Take-Home-Pay" (ITHP) program.

An ordinary disability retirement generally provides a pension equal to 1/40 of final salary times the number of years of service but not less than one half of final salary if ten or more years of service were completed or one-third of final salary if less than ten years of service were completed.

An accident disability retirement provides a pension of three-fourths of final salary plus an annuity based on the member's contributions with accumulated interest and an amount accumulated under the ITHP program.

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

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 changes. 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.

The Plan functions in accordance with existing State statutes and City law. 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.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(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.

Related Parties

Administrative expenses are paid by the City.

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

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(3) Deposits and Investments

The Administrative Code of The City of New York authorizes the investment of plan assets subject to the terms, conditions, limitations and restrictions imposed by law for investment by savings banks. The State Retirement and Social Security Law establishes the criteria for permissible equity investments.

The criteria for the Plan investments are as follows:

- (A) Fixed income investments may be made only in U.S. Government securities, securities of Governmental agencies backed by the U.S. Government and securities of companies rated Single A or better by both Standard & Poor's Corporation and Moody's Investors Service.
- (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:
 - (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.
 - (ii) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.
 - (iii) Repurchase agreements collateralized in a range of 100% to 103% of matured value purchased through the primary dealers of U.S. Government securities.
- (D) Investments in bankers acceptances and certificates of deposit may be made with any of the ten largest U.S. banks with either the highest or next to the highest rating categories of the leading independent bank rating firms.

Cash deposits are fully insured by the Federal Deposit Insurance Corporation for up to \$100,000 per pension member. All investments of the Plan for the years ended June 30, 1990 and 1989 are held by that Plan or by its custodial agent in the Plan's name.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(3), Continued

Investments held by the Plan at June 30, 1990 and 1989 are summarized as follows (in thousands):

	1990		1989	
	Carrying amount	Market value	Carrying amount	Market value
Securities purchased under agreements to resell	\$ -	-	56,372	56,372
Other short-term investments	579,273	579,273	258,363	258,363
Debt securities:				
U.S. Government	2,083,963	2,093,137	1,861,512	1,924,879
Corporate debt	680,637	680,378	568,392	583,568
Other	73,544	73,945	60,823	62,951
Equity securities (cost was \$2,044,120, and \$1,834,738, respectively)	3,135,998	3,135,998	2,781,980	2,781,980
Mortgages	<u>773</u>	<u>(1)</u>	<u>970</u>	<u>(1)</u>
Total investments	\$ <u>6,554,188</u>		<u>5,588,412</u>	

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

Net Realized and Unrealized (Loss) Gain on Investments

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

	1990	1989
Realized gain:		
Proceeds from sales and redemptions	\$ 19,680,887	15,499,457
Carrying value of securities	<u>19,530,741</u>	<u>15,442,115</u>
	150,146	57,342
Increase (decrease) in unrealized appreciation of equity securities	<u>144,638</u>	<u>295,648</u>
Net realized and unrealized (loss) gain	\$ <u>294,784</u>	<u>352,990</u>

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(4) Funding Status and Progress

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

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

Actuarial valuations are performed annually as of June 30. The latest valuation to determine the pension benefit obligation was made as of June 30, 1990.

The more significant assumptions used to calculate the pension benefit obligation at June 30, 1990 and 1989 are as follows:

Assumed rate of return on investments	8-1/4%
Mortality basis	Table based on current experience.
Turnover	Table based on current experience.
Retirement	Table based on current experience. Varies from earliest age a member is eligible to retire until age 63.
Salary	In general, merit and promotion component averaging 1% per year plus assumed general wage increase of 5.5% per year.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(4), Continued

The excess of the pension benefit obligation over the net assets available for benefits has been calculated by the Plan's actuary and amounted to:

	<u>June 30</u>	
	<u>1990</u>	<u>1989</u>
	(in millions)	
Pension benefit obligation for retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	\$ 4,622	4,363
Current employees:		
Employee contributions with interest	320	294
Employer-financed vested	1,500	1,499
Employer-financed nonvested	<u>1,452</u>	<u>1,353</u>
Total pension benefit obligation	7,894	7,509
Net assets available for benefits	<u>6,783</u>	<u>6,178</u>
Unfunded pension benefit obligation	\$ <u>1,111</u>	<u>1,331</u>

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

The same actuarial assumptions used to calculate the employer contributions are used to determine the PBO. Based on the actuarial assumptions last adopted by the Board of Trustees and an 8-1/4% interest assumption, the June 30, 1990 PBO is \$7.9 million.

The Administrative Code of The City of New York provides that the Plan pay to the New York Police Department Variable Supplement Funds an amount equal to any cumulative hypothetical gain on equity investments. The cumulative hypothetical gain on equity investments is the earnings on equity investments which exceed what the earnings might have been had such funds been invested in fixed income investments, less any cumulative hypothetical deficiencies. For fiscal year 1989, there was cumulative hypothetical deficiency on equity investments and accordingly no transfer was made. For fiscal year 1990, there was a cumulative hypothetical gain of \$18 million and was due to the Police Officers Variable Supplement Funds as of June 30, 1990.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(4), Continued

The Police Equity Program was modified in accordance with Chapter 247 of the Laws of 1988. Under Chapter 247, the 6% cap on bond returns was removed in determining the amount of any deficit for the Police Officers Variable Supplement Funds (POVSF). Furthermore, interest will accrue on the deficit attributable to the POVSF until subsequent favorable return on stocks eliminates any deficit.

The Police Variable Supplements Funds, not reported herein, provide supplemental benefits to certain service retirees of the Plan.

(5) Contribution Required and Contribution Made

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

The frozen entry age actuarial cost method of funding is utilized by the Plan's actuary to calculate the contribution from the employer. Under this method, the excess of the actuarial present value of projected benefits over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated over the future earnings. Other components of the unfunded accrued liabilities are being amortized over periods ranging from ten to forty years. 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 \$477.4 million and \$533.6 million for fiscal years ended June 30, 1990 and 1989, respectively.

Member contributions are made on the basis of a normal rate of contribution that is assigned by the Plan at the time of membership. The normal rate, which is dependent upon the member's age and plan as well as the tables in effect at the time he became a member, 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 members' contribution accounts.

Member contributions, net of loans to members, amounted to \$15.9 million and \$16.5 million for the years ended June 30, 1990 and 1989, respectively.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(5), Continued

Employer contributions as a percentage of current-year covered payroll were 38.3% and 44.7% for fiscal years ended June 30, 1990 and 1989, respectively. Employee contributions as a percentage of current-year covered payroll were 1.3% and 1.4% for fiscal years ended June 30, 1990 and 1989, respectively.

The employer contribution for normal cost was \$292.2 million and for amortization of actuarial accrued liability including the amount to fund the employer contribution receivable - long term, was \$185.2 million for fiscal year ended June 30, 1990; the contribution for normal cost was \$348.4 million and for amortization of actuarial accrued liability was \$185.2 million for fiscal year ended June 30, 1989. Employer contributions were equal to the actuary's recommendation.

Upon termination of employment before retirement, members are entitled to refunds of their own contributions including accumulated interest less any loans outstanding. Member contribution account balances, reduced by loans and refunds at June 30, 1990 and 1989 were approximately \$319.6 million and \$293.9 million, respectively.

The asset valuation method for the entire portfolio (equities and fixed income) is one that values the assets using 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. The deferred charge account was also eliminated.

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

(6) Ten-Year Trend Information

Ten-year historical trend information related to the Plan is presented on schedules 1 through 3. 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 - ARTICLE 2

Notes to Financial Statements

(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 Plan," and 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 Statement 75, dated November 1983, indefinitely deferred the effective date of SFAS 35 for public sector pension plans.

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

In June 1984, the Governmental Accounting Standards Board (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.

(Continued)

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Notes to Financial Statements

(7), Continued

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

(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 that reflected pension costs incurred two years earlier. The law now provides that the accrued pension contributions receivable from the City at June 30, 1980, as adjusted, must be amortized over 40 years beginning in fiscal 1982, with interest at 7.5% (8% beginning in fiscal 1983 and 8.25% beginning in fiscal 1989). The interest is included in employer contributions each year.

(9) Investment Advisors

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

(10) Contingent Liabilities

The Plan has a number of claims pending against it and has been named as defendant in a number of lawsuits. The Plan also has certain other contingent liabilities. Management of the Plan, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the net assets available for pension benefits or changes in net assets available for pensions 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.

Schedule 1

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2Supplementary Information
Analysis of Funding Progress

(Unaudited)

(in thousands)

Fiscal year ended June 30	(1)	(2)	(3)	(4)	(5)	(6)
	Net assets available for benefits	Pension benefit obligation	Percentage funded (1) / (2)	Unfunded pension benefit obligation (2) - (1)	Annual covered payroll	Unfunded pension benefit obligation as a percentage of annual covered payroll (4) / (5)
1981	\$2,917,951	4,208,996	69.3%	\$1,291,045	577,778	223.5%
1982	2,979,807	4,513,496	66.0	1,533,689	644,638	237.9
1983	3,505,050	4,830,110	72.6	1,325,060	678,268	195.4
1984	3,571,890	5,207,242	68.6	1,635,352	747,330	218.8
1985	4,161,276	5,612,979	74.1	1,451,703	858,597	169.1
1986	4,670,010	7,169,151	65.1	2,499,141	980,554	254.9
1987	5,308,189	7,769,507	68.3	2,461,318	1,066,248	230.8
1988 (Note 1)	5,438,723	7,038,428	77.3	1,599,705	1,198,145 (Note 3)	133.5
1989 (Note 1)	6,177,969	7,509,260	82.3	1,331,291	1,184,042 (Note 3)	112.4
1990 (Note 1)	6,783,210	7,893,983	85.9	1,110,773	1,241,938 (Note 3)	89.4

Note 1 The pension benefit obligation (PBO) as of June 30, 1990, 1989 and 1988 is not entirely comparable to that shown for the prior seven 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 Fund's benefit formula. The June 30, 1988 PBO decreased by \$1,487 million compared to what it would have been using the former methodology. In addition, 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.

Note 2 During the years prior to June 30, 1987 there have been changes to actuarial assumptions and benefit provisions. It is not presently practicable to present the effect of such changes.

Note 3 The annual covered payrolls were reduced by excluding therefrom all pending withdrawals (five-year outs, et al). In addition, salaries were increased to reflect overtime earnings. Furthermore, adjustments were made for members not on the payroll at the dates shown, to reflect the fact that most of these members will not return to active service. The adjustments at June 30, 1987 were to reduce salaries for these members by various percentages. The adjustments on June 30, 1988 and after were to completely exclude the numbers and salaries for these members.

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Supplementary Information
Analysis of Funding Progress, Continued

(in thousands)

Note 4 Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Schedule 2

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Supplementary Information
Revenue By Source

(Unaudited)

(in thousands)

<u>Fiscal year ended June 30</u>	<u>Member contributions</u>	<u>Employer contributions (note)</u>	<u>Investment income</u>	<u>Other</u>	<u>Total</u>	<u>Employer contributions as a percentage of annual covered payroll</u>
1980	\$ 8,960	263,285	202,547	-	474,792	50.6
1981	11,358	321,345	211,441	-	544,144	55.6
1982	10,966	265,900	23,508	-	300,374	41.2
1983	(22,895)	299,560	600,532	-	877,197	44.2
1984	15,192	297,047	62,227	-	374,466	39.7
1985	11,641	312,225	601,962	1,158	926,986	36.4
1986	21,139	422,995	843,221	-	1,287,355	43.1
1987	22,113	477,457	794,636	162	1,294,368	44.8
1988	17,990	496,478	56,423	830	571,721	41.4
1989	16,508	529,816	687,228	-	1,233,552	44.7
1990	15,994	475,107	661,772	62	1,152,935	38.3

Note: Contributions were made in accordance with actuarial requirements. State legislation effective July 1, 1980 changed the timing of pension contributions by the employer. Prior to enactment, pension contributions were made on a statutory basis which reflected pension costs incurred two years earlier.

NEW YORK POLICE DEPARTMENT
PENSION FUND - ARTICLE 2

Supplementary Information
Expense by Type

(Unaudited)

(in thousands)

<u>Fiscal year ended June 30</u>	<u>Aggregate benefits</u>	<u>Refunds</u>	<u>Administrative expenses</u>	<u>Other</u>	<u>Total</u>	<u>Employer contributions as a percentage of annual covered payroll</u>
1980	\$ 168,724	3,110	-	1,251	173,085	50.6
1981	191,994	3,210	-	39	195,243	55.6
1982	234,216	4,103	-	199	238,518	41.2
1983	279,484	3,958	-	-	283,442	44.2
1984	305,259	1,211	-	-	306,470	39.7
1985	335,602	1,996	2	-	337,600	36.4
1986	373,808	1,958	2	402,853	778,621	43.1
1987	408,428	1,437	3	246,321	656,189	44.8
1988	440,056	1,108	23	-	441,187	41.4
1989	490,688	1,105	5	2,508	494,306	44.7
1990	528,503	1,207	1	17,983	547,694	38.3

NEW YORK POLICE DEPARTMENT PENSION FUND - ARTICLE 2

Schedule of Administrative Expenses

Year ended June 30, 1990

Expenses charged to Police agency budget:	
Salaries and wages	\$ <u>1,850,412</u>
Charges incurred by other City Agencies on behalf of Police:	
Office of the Comptroller:	
Third Deputy Comptroller's office:	
Executive management costs	36,499
Personal service costs	367,588
Equity management	1,698,766
Fixed income	1,375,362
Custodial services	475,961
Publications	7,200
Other	64,000
First Deputy Comptroller's office:	
Personal service costs	170,211
Utilities, maintenance and telephone	8,177
Data processing	80,805
Postage and miscellaneous mailroom charges	132,220
General administrative	87,878
	<u>4,504,667</u>
Law Department	307,367
Department of Finance	43,504
Office of Management and Budget	<u>128,544</u>
	\$ <u>6,834,494</u>

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

NEW YORK POLICE DEPARTMENT PENSION FUND - ARTICLE 2

Summary Schedule of Cash Receipts
and Disbursements

Year ended June 30, 1990

(In thousands)

Cash balance July 1, 1989	\$	<u>25,823</u>
Add receipts:		
Member contributions		15,385
Employer contributions		478,826
Interest and dividends		354,810
Investments redeemed		19,530,741
Realized gain		150,146
Transfers from other Police Department funds		62
Notes receivable		<u>298,786</u>
Total cash receipts		<u>20,828,756</u>
Total cash available		<u>20,854,579</u>
Less disbursements:		
Benefit payments		472,590
Investments purchased		20,346,468
Increase in receivables for investment sold		34,314
Refunds		<u>1,207</u>
Total cash disbursements		<u>20,854,579</u>
Cash balance June 30, 1990	\$	<u> -</u>

NEW YORK POLICE DEPARTMENT PENSION FUND - ARTICLE 2

Investment Summary

Year ended June 30, 1990

(In Thousands)

Type of Investment	June 30, 1989 balances Book value	Market value	Purchases	Reclassi- fications	Sales and redemptions	Net amortization of premium and discount	June 30, 1990 balances Book value	Market value	Percent of market value
Securities purchased under agreements to resell	\$ 56,372	56,372	13,048,981		13,105,353		-	-	-
Other short-term investments:									
Commercial paper short-term investment fund	258,363	258,363	3,010,402		2,689,492		579,273	579,273	8.8
Total short-term investments	314,735	314,735	16,059,383		15,794,845		579,273	579,273	8.8
Debt securities:									
U.S. Government	1,861,512	1,924,879	3,147,955		2,927,067	1,563	2,083,963	2,093,137	31.9
Corporate	568,392	583,568	320,605		212,444	4,084	680,637	680,378	10.4
Other	60,823	62,951	129,791		116,835	(235)	73,544	73,945	1.1
Mortgages	970	(A)	-		197		773	(A)	-
Total long-term debt securities	2,491,697	2,571,398	3,598,351		3,256,543	5,412	2,838,917	2,847,460	43.4
Equity securities	1,834,738	2,781,980	688,734		479,352	-	2,044,120	3,135,998	47.8
Total Investments	\$ 4,641,170	5,668,113	20,346,468		19,530,740	5,412	5,462,310	6,562,731	100.0

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

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

ACTUARIAL SECTION
PART III
FOR THE
FISCAL YEAR ENDED JUNE 30, 1990



POLICE DEPARTMENT
NEW YORK, N. Y. 10038

-37-

P.D. 159 151

December 20, 1990

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

The financial objective of the New York City Police Department, Subchapter Two Pension Fund is to fund employees' retirement benefits during their active service and to establish normal contribution rates which, expressed as a percentage of active member payroll, will remain approximately level over the future working lifetimes of those active members. To these ends, the frozen entry age actuarial cost method has been used. The accrued liability resulting from changes in benefits, assumptions or funding methods are funded, by level dollar amounts, over periods ranging from 10 to 40 years.

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

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

Revised assumptions for this valuation were adopted by the Board of Trustees effective for the valuations as of June 30, 1988 and thereafter. These assumptions were derived from an experience study made by an outside consultant dated July 26, 1988.

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

Actuarial valuations are performed annually as of June 30.

The schedules in this report present the financial position of the Pension Fund including information required by the Governmental Accounting Standards Board as of June 30, 1990.

Respectfully submitted,

Robert C. North, Jr.
Chief Actuary

NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER 2 PENSION FUND

Summary of Actuarial Assumptions and Methods

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

EXPERIENCE RESULTS

Section 13-221 of the Administrative Code provides that the Board of Trustees shall adopt such mortality, service and other tables as shall be deemed necessary for use in the operation of the Pension Fund.

Experience was studied over the period July 1, 1982 through June 30, 1987; both on a year-by-year basis and over the entire five year period. The study covered experience with respect to each of the demographic assumptions. The demographic analysis was done separately for retired and non-retired lives. Details of the year-by-year experience with respect to POLICE 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.

Analysis of the experience for each group showed that certain assumptions no longer accurately reflect the current experience, and thus the experience study indicated a need for changes in these demographic assumptions.

Recommendations to change certain demographic assumptions were adopted by the Board of Trustees. The purpose of our experience studies is to replace current assumptions with recommended assumptions where actual experience differed materially from expected experience.

A comparison of prior assumptions with new assumptions at representative ages is listed below.

The withdrawal percentages were increased.

WITHDRAWAL PERCENTAGES

<u>Age</u>	<u>Prior</u>	<u>NEW</u>
20	2.501%	7.000%
30	1.294	5.000
40	.594	1.500
50	.272	.500
60	.125	.125

The Accidental Disability percentages were, in general, increased.

ACCIDENTAL DISABILITY PERCENTAGES

<u>Age</u>	<u>Prior</u>	<u>New</u>
20	.3281%	.2625%
30	1.2511	1.0009
40	1.7894	2.3262
50	2.0979	2.5175
60	3.6563	4.3876

Service retirement percentages in general, increased.

Service Retirement Percentages

<u>Age</u>	<u>Year 1</u>		<u>Year 2</u>		<u>Ultimate</u>	
	<u>Prior</u>	<u>New</u>	<u>Prior</u>	<u>New</u>	<u>Prior</u>	<u>New</u>
40	35%	38%	00%	15%	00%	10%
45	30	35	13	15	10	10
50	25	30	13	15	08	08
55	20	20	10	10	07	07
60	20	20	10	10	07	07

Service and disability pensioner mortality percentages were lowered.

Service and Disability Pensioner Mortality Percentages

<u>Age</u>	<u>Service Pensioners</u>		<u>Disability Pensioners</u>	
	<u>Prior</u>	<u>Recommended</u>	<u>Prior</u>	<u>Recommended</u>
40	.3740%	.3179%	.4933%	.4192%
50	.5626	.5063	1.0405	.9356
60	1.2807	1.3447	1.9128	1.9134
70	4.1234	3.5049	5.6903	4.5521
80	9.4393	9.4393	12.0823	12.0791
90	18.2404	18.2404	21.5237	21.5143
100	33.1849	33.1849	35.8397	35.3333
110	100.0000	100.0000	100.0000	100.0000

The method of valuing inactive members was changed.

In the past, members no longer on payroll but who have not yet withdrawn contributions were treated as inactive for valuation purposes. Such members had non-pensionable breaks in service which did not reflect leave time. A percentage of the active liability was held which reflected the probability of the members returning to active service.

We now hold a liability for inactive members equal to the present value of their total accrued benefits, but not less than their accumulated contributions, for five years after leaving employment, reducing to the present value of their vested benefits thereafter. This procedure measures the liability for the inactive member based exclusively on service and salary while the member was active. This method is more common in standard actuarial practice than is the former method.

The asset valuation method was changed.

Equity holdings were valued using a five-year average market value method, while a fixed income (bond) holdings are valued at amortized cost. In addition, prospective asset, "deferred charge on account of security sales", was held to reflect unamortized gains or losses on sales of fixed income holdings.

The asset valuation method for the entire portfolio (equities and fixed income) was changed to one that values the assets using a typical five-year average market value method. However, if the assets value calculated in this manner exceeds 120% or is less than 80% of the market value on the valuation date, then it is raised or lowered to 120% or 80% of market value respectively. This change in the method of valuing assets is more consistent with practices followed by most large pension funds.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

Table 1

Deaths Among Service and Disability Pensioners

Percent of Pensioners Dying Within Next Year

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

Table 2

Retirements and Deaths after Eligibility for Service Benefits

Percent of Eligible Active Members Retiring
or Dying Within Next Year

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

Table 3

Withdrawals from Active Service before Eligibility for Service Benefits

Percent of Active Members Separating Within Next Year

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

Table 4

Salary Scale

<u>Age</u>	<u>Assumed Annual Percentage Increases in Coming Year</u>
20	13.42%
25	9.66
30	7.23
35	6.18
40	5.98
45	5.77
50	5.58
55	5.53
60	5.50

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

ECONOMIC ASSUMPTIONS

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Assumed rate of</u> <u>return on investment</u>	<u>Merit and promotion</u> <u>component averaging 1% per</u> <u>year plus an assumed general</u> <u>wage increase per year of</u>
6/30/81	7.5%	6.0%
82	8.0	6.5
83	8.0	6.5
84	8.0	6.5
85	8.0	6.5
86	8.0	5.5
87	8.0	5.5
88	8.0	5.5
89	8.25	5.5
90	8.25	5.5

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 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>% INCREASE IN AVERAGE PAY</u>
6/30/81	23,505	\$588,608,930	\$25,042	10.8
82	24,816	654,956,079	26,392	5.4
83	24,265	688,483,523	28,374	7.5
84	24,943	757,460,611	30,368	7.0
85	26,986	867,997,441	32,165	5.9
86	27,380	958,948,300	35,024	8.9
87	28,341	1,049,129,615	37,018	5.7
88	28,144	1,163,247,025	41,332	11.7
89	26,440	1,184,041,790	44,782	8.3
90	25,927	1,241,937,674	47,901	7.0

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

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

NEW YORK CITY POLICE DEPARTMENT,
 SUBCHAPTER 2 PENSION FUND
 SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED
 TO AND REMOVED FROM ROLLS

YEAR ENDED	<u>ADDED TO ROLLS</u>		<u>REMOVED FROM ROLLS</u>		<u>ROLLS END OF YEAR</u>		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
	NUMBER(1)	ANNUAL ALLOWANCES	NUMBER(2)	ANNUAL ALLOWANCES	NUMBER	ANNUAL ALLOWANCES		
6-30-81	1183	\$30,130,838	187	\$1,958,264	17106	\$196,878,189	16.7	\$11,509
6-30-82	2212	42,901,384	193	2,221,237	19125	237,558,336	20.7	12,421
6-30-83	1978	39,465,489	229	2,884,409	20874	274,179,416	15.4	13,135
6-30-84	1614	32,454,286	237	3,112,758	22251	303,520,944	10.7	13,641
6-30-85	1146	26,555,157	257	3,505,480	23140	326,570,621	7.6	14,113
6-30-86	1507	41,594,530	304	4,290,352	24343	363,874,799	11.4	14,948
6-30-87	1536	49,927,245	319	4,768,412	25560	409,033,632	12.4	16,003
6-30-88	1247	47,650,374	347	5,537,773	26460	451,146,233	10.3	17,050
6-30-89	1290	31,356,392	356	6,069,800	27394	476,432,825	5.6	17,392
6-30-90	1735	36,242,327	403	7,008,976	28726	505,666,176	6.1	17,603

(1) ACTUAL PENSION NUMBERS ISSUED DURING FISCAL YEAR

(2) ACTUAL TERMINATION NUMBERS ISSUED DURING FISCAL YEAR

CN CAFR POLA/D:

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND
 COMPARATIVE SUMMARY OF ACTUARIAL
 VALUES AND PERCENTAGES COVERED BY NET ASSETS
 AVAILABLE FOR BENEFITS (SOLVENCY TEST)

AS OF JUNE 30	ACTUARIAL PRESENT VALUE OF PROJECTED BENEFIT OBLIGATION FOR					PERCENTAGE OF ACTUARIAL VALUE COVERED BY NET ASSETS AVAILABLE FOR BENEFITS*
	(A)	(B)	(C)	(D)	(E)	
	ACCUMULATED MEMBER CONTRIBUTIONS	CURRENT RETIRANTS AND BENEFICIARIES	TERMINATED VESTED PARTICIPANTS	ACTIVES MEMBERS' EMPLOYER FINANCED PORTION	NET ASSETS AVAILABLE FOR BENEFITS	
1981	\$191,624	\$1,863,999	\$20,126	\$2,133,247	\$2,917,951	100% 100% 100% 100% 39.5%
1982	203,682	2,168,994	24,218	2,116,602	2,979,807	100 100 100 100 27.5
1983	103,483	2,516,277	24,191	2,186,159	3,505,050	100 100 100 100 39.4
1984	101,480	2,778,331	23,000	2,304,431	3,571,890	100 100 100 100 29.0
1985	118,509	2,965,484	29,278	2,499,708	4,161,276	100 100 100 100 41.9
1986	152,126	3,478,530	26,663	3,511,832	4,670,010	100 100 100 100 28.8
1987	222,485	3,844,596	24,092	3,678,334	5,308,189	100 100 100 100 33.1
1988	270,000	4,142,503	18,100	2,607,825	5,438,723	100 100 100 100 38.7
1989	294,000	4,352,964	10,238	2,852,058	6,177,969	100 100 100 100 53.3
1990	320,000	4,614,605	6,993	2,952,385	6,783,210	100 100 100 100 62.4

* 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND
SCHEDULE OF RECOMMENDED VS. ACTUAL CONTRIBUTIONS
(IN THOUSANDS)

<u>Fiscal Year Ended</u>	<u>Actual Employer Contributions*</u> (A)	<u>Actuary's Recommended Contributions</u> (B)	<u>Employer Rates of Contributions**</u>
6/30/81	\$255,141	\$239,281	45.968 %
82	251,644	265,201	45.783
83	282,968	287,831	44.648
84	299,639	299,639	44.177
85	315,022	315,022	42.153
86	426,015	426,015	48.075
87	480,720	480,720	49.025
88	500,001	500,001	46.893
89	533,621	533,621	44.612
90	477,397	477,397	40.319

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

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

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

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

	<u>June 30, 1990</u> (in millions)
Projected benefit obligation for retirees, and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	\$4,622
Current employees:	
Employee contributions with interest	320
Employer-financed vested	1,500
Employer-financed nonvested	<u>1,452</u>
Total pension benefit obligation	7,894
Net assets available for benefits	<u>6,783</u>
Unfunded pension benefit obligation	\$1,111 =====

The PBO is the actuarial present value of credited projected benefits computed by attributing an equal benefit amount to each year of service as required by GASB Statement No. 5.

Actuarial assumptions used to calculate the employer contributions are used to determine the PBO. Based on the actuarial assumptions last adopted by the Board of Trustees, an 8 1/4% interest assumption and a 5 1/2% wage inflation assumption, the June 30, 1990 PBO is \$7,894 million.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 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.

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

Reserve for Increased Take Home Pay - 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.

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

BENEFITS

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

I. SERVICE RETIREMENT

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

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

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

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

and

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

II. ORDINARY DISABILITY RETIREMENT

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

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

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 increased-take-home-pay, as well as an annuity which is the actuarial equivalent of the member's accumulated deductions.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 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 increased-take-home-pay, and the City's obligation on account of military service, if any, are paid to his estate or to his designated beneficiary.

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 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 increased-take-home-pay and a pension equal to one-half of the average salary in the five years immediately preceding death but not less than one-half the full salary of a first grade patrolman, payable to the widow until remarriage or death, or if there is no widow, to a child, or children until the attainment of age 18 of the youngest child, or if there is no widow or child, to the dependent parents. In addition, the member's accumulated deductions are paid to his estate or designated beneficiary.

VI. TERMINATION OF EMPLOYMENT

A member, who either resigns or is dismissed, receives a benefit equal to his accumulated deductions. At resignation with 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. Should a member who elected to receive a vested retirement allowance die during the period of deferment, the benefit is the accumulated deductions.

VI. 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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

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

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

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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

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

Following is a summary of the component of this percentage.

SUPPLEMENTATION PERCENTAGE TO BE PAID

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

OPTIONS ON RETIREMENT

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

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

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

(d) Such other form of 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 during life with a provision that upon his death, a sum specified by the member at the time of retirement shall be paid to his designated beneficiary or estate.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSION FUND

II. EMPLOYER CONTRIBUTIONS

The actuarial cost method used to determine both the annual pension expense and the employer contribution is the frozen entry age normal actuarial cost method with 35 years amortization of a revised unfunded frozen initial accrued liability (modified by unfunded accrued liability adjustments amortized over periods ranging from 10 to 30 years). The City's contribution in any fiscal year is on account of the liability incurred in that year. The City contributes each year, on account of members, an amount to provide all benefits except for the annuities and refunds provided by the members' own contributions. The annual contribution payable in 1989-1990 includes:

- (1) an amount which will amortize the revised unfunded accrued liability as of June 30, 1980 over a 35 year period beginning on July 1, 1980,
- (2) credits or charges representing
 - (a) an amount which will amortize the 1980 unfunded accrued liability adjustment (credit) over a period of 30 years beginning July 1, 1980, and
 - (b) an amount which will amortize the 1982 unfunded accrued liability adjustment (credit) over a period of 30 years beginning July 1, 1982 and
 - (c) an amount which will amortize the 1985 unfunded accrued liability adjustment (charge) over a period of 30 years beginning July 1, 1985,
 - (d) an amount which will amortize the 1988 unfunded accrued liability adjustment (charge) over a period of 10 years beginning July 1, 1988.

- (3) an amount which will amortize the balance sheet liability over a period of 40 years beginning July 1, 1981,
- (4) supplemental retirement allowance deficiency contributions, each series of which will amortize one of the supplemental retirement allowance deficiencies (commencing as of July 1, 1981) over 10 years, starting in the fiscal year in which the liability was incurred,
- (5) amounts which will, over 20 year periods, amortize investment losses incurred prior to July 1, 1980 in accordance with Chapter 1043 of Laws of 1970, as amended by Chapter 447 of Laws of 1982,
- (6) an amount which will fund the balance of the total unfunded liability over the future working lifetime of the members of the Pension Fund. This amount, with respect to the benefits provided by the Pension Fund, is determined by applying to the members' aggregate salaries a percent obtained by dividing the balance of the unfunded liability by one percent of the present value of the prospective future salaries of all members,
- (7) a contribution for increased-take-home-pay as described above,
- (8) a contribution on account of military service, and
- (9) a contribution to provide the group term life insurance which is determined by applying the one year term premium rates adopted by the Board of Trustees to the amount of the death benefits not in excess of \$50,000.

The appropriation paid in fiscal year 1989-90 on account of the liability incurred in that year is \$477,396,717.

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
INDEPENDENT ACTUARY'S STATEMENT

Buck Consultants, Inc. was retained by New York City to audit the actuarial valuation of the New York City Police Pension Fund - Article 2 prepared as of June 30, 1989. We certify that we served as an independent actuary in performing this audit.

Financing Objectives

The basic financing objectives are to fund employees' retirement and death benefits during their active service and to establish contribution rates which, expressed as a percentage of active payroll, will remain approximately level from generation to generation.

The City has been making contributions to the Fund based on annual actuarial valuations. Both the normal contribution rate and the total contribution rate, expressed as a percentage of compensation, declined in the last year, continuing the trend of recent years. This trend demonstrates progress towards the realization of the specified financing objectives as well as the experience during the period and the changes in assumptions and methods.

A comparison of the System's assets with the pension benefit obligation (actuarial present value of credited projected benefits) is another way of measuring the overall financial soundness of the Pension Fund. The net assets available for benefits now cover about 82% of the pension benefit obligation compared to about 75% on comparable assumptions a year earlier.

Benefit Provisions of the Fund

The benefit provisions of the Pension Fund are determined by the applicable sections of the Administrative Code of the City of New York and the Retirement and Social Security Law of the State of New York. Two distinct classes exist, based on date of membership, as follows:

- 1) Tier 1 members are those whose membership commenced prior to July 1, 1973.
- 2) Tier 2 members are those whose membership began on or after July 1, 1973.

Summaries of the benefits provided by the Pension Fund are found in the Component Unit Financial Report.

Recent Changes

There were no changes in the benefits, actuarial assumptions or methods since the final version of the prior year's valuation. The operations and benefit provisions of the Police Officers Variable Supplements Fund were changed. The changes affect the amount of skim transfer from the Pension Fund to the Variable Supplements Fund.

Actuarial Valuations

Actuarial valuations of the Fund are prepared annually by the Pension Fund's Actuary. The date of the last such valuation is June 30, 1989.

Asset Valuation Method

The actuarial value of assets is calculated using a five-year moving average of market values for all assets. The resulting value cannot be less than 80%

or greater than 120% of the market value of the assets as of the valuation date.

Actuarial Cost (Funding) Method

The actuarial cost or funding method used for the valuations is the frozen initial liability cost method (entry age normal method with frozen initial liability). Under this method the City's contributions consist of normal contributions (which will remain a level percentage of compensation if actual experience under the Fund matches that predicted by the actuarial assumptions) and amortization of the unfunded accrued liability. Unfunded accrued liabilities have been established at various times in the past with each such liability being amortized over a specific period. Actuarial gains and losses are funded through changes in the normal contribution rate. The City also makes a contribution to provide the reserve for increased-take-home-pay.

Data Reasonableness

While we did not audit the data used in the valuation, we did review it for reasonableness, completeness and consistency. Although the data appeared to be reasonable on an overall basis, certain data deficiencies necessitate estimates to be made in the actuarial valuations. Data were missing for new pensioners who had not yet been officially processed, requiring estimates to be made of their benefits and liabilities. Data are not available on employee contributions and increased-take-home-pay accumulations, necessitating estimates to be made with respect to benefits to be funded by employer contributions.

Actuarial Assumptions

There were no changes in the actuarial assumptions for funding purposes from those used in the preceding valuation. The assumptions were last changed as of June 30, 1988 and are outlined in the Component Unit Financial Report for fiscal year 1989. The demographic assumptions were adopted by the Board based on the recommendations of the Pension Fund's Actuary and this auditor. The change in the valuation interest rate as of that date was adopted by the New York State Legislature as well as by the Board. The same changes in assumptions were made as of June 30, 1989 for purposes of calculating the pension benefit obligation.

As part of our assignment, we have prepared an experience study of the System for the period July 1, 1987 through June 30, 1989. Based on our study, we are not recommending any changes in assumptions at this time. However, we have pointed out certain assumptions which should be closely monitored in the future.

Respectfully submitted,

Claire L. Wolkoff

Claire L. Wolkoff, F.S.A.
Consulting Actuary

Brian W. Kruse

Brian W. Kruse, F.S.P.A.
Group Executive &
Consulting Actuary

October 9, 1990
DOC:V01991BV

NEW YORK CITY POLICE PENSION FUND - ~~ARTICLE 2~~

COMPONENT UNIT FINANCIAL REPORT

STATISTICAL SECTION

PART IV

FOR THE

FISCAL YEAR ENDED JUNE 30, 1990

Subchapter

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

LUMP SUM PAYMENTS

FISCAL YEAR	SERVICE AND DISABILITY RETIREMENT	ORDINARY DEATH IN SERVICE	PAYMENTS DEATH AFTER RETIREMENT	LINE OF DUTY DEATHS	TOTAL
6-30-81	180,200	8,032	1,549	2,213	191,994
6-30-82	224,016	6,354	2,182	1,664	234,216
6-30-83	272,179	4,662	881	1,762	279,484
6-30-84	295,224	7,033	1,147	1,855	305,259
6-30-85	323,003	7,992	2,663	1,944	335,602
6-30-86	358,909	10,836	2,004	2,059	373,808
6-30-87	393,734	9,787	2,788	2,119	408,428
6-30-88	429,503	6,031	2,275	2,247	440,056
6-30-89	476,331	9,707	2,322	2,328	490,688
6-30-90	515,693	8,282	2,070	2,458	528,503

6-30-91

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
 SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
 JUNE 30, 1992

AGE AND SERVICE RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	227	18,205	0	-
45-49	1,845	18,266	06	16,793
50-54	2,261	16,741	26	16,573
55-59	2,187	14,352	21	17,259
60-64	2,711	13,212	34	11,067
65-69	2,752	12,071	44	10,864
70-74	2,039	11,396	19	9,885
75 & over	520	12,095	19	12,036

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	438	12,553	23	13,580
45-49	657	12,386	19	13,760
50-54	431	12,906	11	11,220
55-59	399	15,687	16	10,651
60-64	706	20,453	07	18,930
65-69	729	23,172	14	19,018
70-74	462	21,594	13	18,416
75 & over	103	20,957	02	21,724

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
 SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
 JUNE 30, 1990

ACCIDENTAL DISABILITY (DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	1,527	24,317	71	24,347
45-49	1,668	23,614	26	23,828
50-54	994	23,306	09	26,753
55-59	675	22,983	04	17,582
60-64	831	23,571	08	23,268
65-69	643	22,840	04	23,768
70-74	335	20,341	03	16,434
75 & over	81	19,526	0	-

SURVIVORS (OF DECEASED PENSIONERS UNDER SELECTED OPTIONS)

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	---	---	3	8,656
45-49	---	---	2	14,580
50-54	---	---	6	14,296
55-59	---	---	12	7,781
60-64	---	---	36	9,398
65-69	---	---	43	8,231
70 & over	---	---	39	8,600
			18	9,191

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

WOMEN

AGE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
44 & under	49	13,776
45-49	44	11,570
50-54	34	9,230
55-59	41	8,298
60-64	35	8,152
65-69	19	7,323
70-74	13	7,552
70 & over	06	6,845

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
 ANALYSIS OF PORTFOLIO YIELDS
 JUNE 30, 1990 - 1989

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1990			1989				
	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$ -----	-----	-----	-----	\$ 56,372	8.4%	\$ 56,372	8.4%
Other short-term investments	579,273	5.7	579,273	5.7	258,363	9.4	258,363	9.4
Bonds:								
NYC and City Related	-	-	-	-	-----	-----	-----	-----
U.S. Government	2,093,137	9.7	2,083,963	9.9	1,924,879	8.1	1,861,512	8.2
Corporate	680,378	9.9	680,637	5.0	583,568	9.9	568,392	9.1
Other	73,945	9.1	73,544	9.3	62,951	2.5	60,823	2.5
Mortgages	(1)	(1)	773	7.6	(1)	(1)	970	9.7
Equities	3,135,998	12.4	2,044,120	18.9	2,781,980	18.3	1,834,738	26.6

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
 ANALYSIS OF PORTFOLIO YIELDS
 JUNE 30, 1988 - 1987

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1988			1987				
	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$ 35,144	4.1%	\$ 35,144	4.1%	\$ 80,510	5.8%	\$ 80,510	5.8%
Other short-term investments	210,247	6.8	210,247	6.8	224,262	7.2	224,262	7.2
Bonds:								
NYC and City Related	42,900	7.9	42,341	8.1	55,293	8.0	53,537	8.2
U.S. Government	1,802,436	7.4	1,842,697	7.3	1,664,249	8.8	1,693,104	9.0
Corporate	313,902	9.0	319,781	8.9	337,780	8.5	336,507	9.2
Other	104,180	8.4	141,731	8.3	102,602	5.2	104,369	5.5
Mortgages	(1)	(1)	1,161	-5.0	(1)	(1)	2,646	4.5
Equities	2,324,947	-5.3	1,673,355	-8.3	2,464,856	25.9	1,515,021	41.4

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - ARTICLE 2
 ANALYSIS OF PORTFOLIO YIELDS
 JUNE 30, 1986

(in thousands)

1986

INVESTMENT PORTFOLIO DESCRIPTION	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	\$ 49,180	9.0%	\$ 49,180	9.0%
Other short-term investments	466,334	8.1	466,334	8.1
Bonds:				
NYC and City Related	70,421	7.2	68,268	7.5
U.S. Government	1,337,513	14.6	1,235,671	15.6
Corporate	515,841	14.3	450,807	15.8
Other	140,163	13.8	127,290	15.1
Mortgages	(1)	(1)	3,603	6.0
Equities	2,053,937	30.5	1,312,739	43.9

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - *Subchapter 2*
SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

DATE	AGE & SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS	
	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE
6-30-81	10,468	\$ 9,693	2,689	\$11,893	3,518	\$15,858
6-30-82	11,468	10,339	3,125	12,836	4,241	17,323
6-30-83	11,527	10,465	3,130	12,975	4,473	17,793
6-30-84	11,976	10,863	3,409	13,791	5,062	18,847
6-30-85	12,030	11,003	3,425	14,033	5,158	19,141
6-30-86	13,066	11,728	3,827	15,164	6,071	20,671
6-30-87	14,255	12,767	4,104	16,622	6,706	22,103
6-30-88	14,229	13,495	4,075	17,330	6,681	22,894
6-30-89	14,426	13,760	4,058	17,422	6,802	23,148
6-30-90	14,711	14,125	4,030	17,487	6,879	23,383
<i>6-30-91</i>						