

Decorative flourish

New York City Police Pension Fund Subchapter 2

Decorative flourish



Comprehensive Annual Financial Report

A PENSION TRUST FUND OF THE CITY OF NEW YORK

Fiscal Year Ended

June 30, 1998

New York, New York

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



Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 1998
New York, New York

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR THE
FISCAL YEAR ENDED JUNE 30, 1998**

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

Actuary

ROBERT C. NORTH JR. - Chief Actuary

Custodian of the funds

ALAN G. HEVESI - Comptroller of the City of New York

Headquarters Address

One Police Plaza, New York, New York 10038

Board of Trustees

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

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

**INTRODUCTORY SECTION
PART I**

FISCAL YEAR ENDED JUNE 30, 1998

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City
Police Pension Fund,
Subchapter 2

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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



Douglas R. Ellaworth
President

Jeffrey L. Esler
Executive Director



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

December 15, 1998

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

The Comprehensive Annual Financial Report, Police Pension Funds Subchapter 2 (the Plan) a Pension Trust Fund of the City of New York for the fiscal year ended June 30, 1998, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the fund. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operation of the Retirement System. All disclosures necessary to enable the reader to gain an understanding of the Pension System's Financial Activities have been included.

Our independent auditors, KPMG Peat Marwick LLP-Watson, Rice & Co., have audited our financial statements, and have submitted an independent auditor report which is included in this book. The audit was conducted in accordance with generally accepted auditing standards.

The report has been prepared in accordance with the principles of Governmental Accounting and Reporting promulgated by the Governmental Accounting Standards Board.

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

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

An Introductory Section, which contains the Commanding Officer's Letter of Transmittal and the identification of the Administrative Organization and consulting services utilized by the system; a Financial Section, which contains the opinion of the Independent Certified Public Accountants as well as the Financial Statements of the fund; an Investments Section, which includes reports on investments activities and policies; an Actuarial Section which contains the systems Actuarial Data and the systems Actuarial Certification Letter; and the last section contains statistical tables of significant data pertaining to the New York City Police Pension Fund Subchapter 2.

The New York City Police Pension Fund Subchapter 2 represents the Finest Police Officers in the world. During 1975 The City of New York experienced a fiscal crisis. The Police Pension Fund Subchapter 2 as well as the four other actuarial city employee pension funds, New York City Employees' Retirement System, Teachers' Retirement System, Fire Pension Fund Subchapter 2 and Board of Education Retirement System, purchased millions of dollars of bonds from The City, which helped The City avoid bankruptcy.

Economic Condition and Outlook

The national economic indicators appear healthy. The international financial crisis in Asia and Russia has caused the Gross Domestic Product (GDP) to remain sluggish; decline in inventory and exports have raised some skepticism. However, the national economy reflects a strong and healthy outlook for our country.

Unemployment averaged 4.5% compared to 5% at the end of fiscal year ending June 30, 1997. Jobs grew at a rate of greater than 2%, wages increased by about 5.2%, and the consumer price index averaged a little above 1.5% for most of 1998. The national economy has enjoyed steady growth due to a large volume of domestic demand and consumer spending. The national consumption has risen by about 5 1/2%. The high consumption indicators are due to greater employment, a high degree of consumer credit and the rising stock market. There has been a continuing international economic slowdown. This slowdown has led to a deflationary and strong dollar status, making U.S. imports cheaper. Also, the 30 year Treasury Bond yield fell below five percent. The Federal Reserve Bank has lowered interest rates several times in order to help emerging markets and also to prevent slowdown of the United States economy. It is unlikely for a recession to occur because the Federal Reserve continues to lower interest rates when the need arises and because the housing industry is strong. The City's economy continued to grow at a very good rate. Jobs in the city have risen significantly in the private and as well as in the government sectors. There was a large increase in tourism, which benefited private business as well as The City Treasury. Low inflation and interest rates reflect a healthy economy for the City of New York. There is also a positive economic outlook for the State and Nation as well.

Major Initiatives for the Year

Fiscal year 1998 was a good year for the City and the Pension System. The economy was very strong and crime continued on the decline. The quality of life continued to show improvements and the citizens enjoyed a better life in the city. The budget reflects a surplus for the second year thus showing continued prosperity. Providing safer and better schools with higher academic standards and performance are a high priority of New York City. The Police Pension Fund continues to enjoy higher rates of return while spending less than the average amount of pension investment costs. The Fund had an excellent year with returns of over 20%. This resulted in reduced contributions from the city to the pension funds, which saved taxpayers hundreds of millions of dollars over the past three years. The Pension Fund continues to spend less for management fees than the majority of other large public pension funds. We continue to increase the pension funds investments in economically directed investments within New York City. Our programs are targeted towards affordable housing in The City and in multifamily properties and houses requiring small loans. Also, money was made available to rehabilitate various housing units and the expansion and renovation of childcare facilities in low and moderate income areas.

State Legislation was enacted to extend the sunset clause in respect to Commercial Paper. This will enable the pension system to continue investing in Commercial Paper at the higher rates of return thus increasing the net income for The Fund. We also expanded our investments in a larger variety of Money Market investments, which also had a positive effect on the net income of the plan. Risk factors are reviewed by the Comptroller's Office and supervised by the Board of Trustees concerning the level of investment risks in the pension fund portfolio.

During 1998, initiatives were taken to increase investment returns and provide greater safety for the funds' assets. The Pension Fund continued to diversify plan assets across various investment vehicles. The securities lending program continued, thus earnings exceeded significantly to that of the prior year. Loans of our international investments continue to increase. All loans are totally collateralized with Cash or Treasury Securities.

The Police Pension Fund as well as the New York City Employees Retirement System and the Fire Pension Fund entered into their first private equity investments, providing \$100 million to corporate and

real estate business in the city. The Police Pension Fund joined other public pension funds to be lead plaintiffs in securities fraud litigation against Cendant Corporations. This was the first time that the New York City Pension Funds had applied to be lead plaintiffs in a securities fraud litigation. In addition, we also voted to join other public pension funds in shareholder derivative litigation against Columbia-HCA Health Care Corporation. The company was alleged to engage in illegal overbilling of Medicare and Medicaid and other illegal practices.

Financial and Budgetary Controls

The management of the plan is responsible for establishing and maintaining an internal control structure designed to ensure that the funds assets are protected from loss, theft, or misuse and that preparation of financial statements are done in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute, assurance that these objectives are met. The plan also maintains budgetary controls. An annual examination of existing Internal Controls is performed in compliance with Directive #1 City Manager Financial Integrity Directive which is administered by the City Comptroller who is also the Treasurer of the Pension Funds. This study and evaluation disclosed no condition that is a material weakness. As a further quality control, the Audit Committee for the City of New York, which includes experts in Accounting and Municipal Finance from the private sector, oversees the independent audit process. This process includes the independent auditors' reports and the Auditors' Management Letter, as well as the Retirements' System response. The committee operates independently and issues its own annual report.

Investment Policy

The investment policies are adopted by the Board of Trustees . The Comptroller of the City of New York is the Treasurer and Chief Custodian of the assets of the Police Pension Fund. Investments are made in a variety of securities including Domestic and International Stocks as well as Short-Term Investments as to minimize risks and maintain a high competitive return. Fiscal Year 1998 was a good year for financial markets. The Russell 3000 index returned 29% and the Lehman Brother NYC Fixed income index returned 11.9%. Foreign equity markets did not perform well. The overall investment return of the Pension Fund was slightly over 20%. The Pension Funds continued to diversify assets among different types of securities. The security-lending program has been very profitable for the plan bringing in substantial additional income.

The following table reflects increases and decreases in revenues and expenses for fiscal years 1998 and 1997 respectively. Amounts are in thousands.

Description	In Thousands		Net Increase (Decrease)
	Amount 1998	Amount 1997	
Member Contributions	36,945	31,954	15.6%
Employer Contributions	531,657	529,777	.035%
Total Contributions	568,602	561,731	1.2%
Interest Income	483,534	419,353	15.3%
Dividend Income	124,032	124,475	[.036%]
Net Appreciation (depreciation) in Fair Value of Investments	2,216,537	2,296,153	[3.5%]
Investment Expenses	201,017	148,412	35.4%
Net Investment Income	2,623,086	2,691,569	[2.5%]
Benefit Payments and Withdrawals	838,803	790,928	6%
Payments to Other Funds-Net	3,292	3,085	6.7%
Total Deductions	838,803	790,928	6.1%

As a result net assets available for Pension Benefits increased from \$13,463,933,000 in fiscal year 1997 to \$15,820,110,000 in fiscal year 1998, reflecting a 17.5% increase.

The following are consultants for the various types of investments:

Fixed Income Advisors

Government

- Barclays Global
- Fischer, Francis
- Putman

Mortgage

- Lincoln Capital
- Miller Anderson
- Pimco

Corporate

- BEA
- T. Rowe Price
- Alliance Capital

Foreign

- Loomis Sayles
- Schroder Capital
- W.R. Huff
- Banker's Trust-Index
- G.E. Investment
- Bank of Ireland
- Capital Guardian
- Scudder Kemper
- Barclays Global
- Genesis Asset Managers

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

For the Future

It is the aim of our investment advisors to provide safe and high rates of return for all our investments. Trustees review the performance of the investment advisors periodically in order that maximum returns can be realized. As Custodian and Investment Manager of the Police Pension Fund, the Comptroller is responsible for the pension fund assets, which are in excess of 18.8 billion dollars. The investment policy is to minimize credit and market risks while maintaining a competitive yield on the portfolio. The Comptroller continues to work with the Police Pension Fund to develop an innovative targeted investment program. The key leading indicators continue to point upward towards economic stability.

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

Financial Overview and Fund Structure

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

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

Other Information

The Government Finance Officers Association of the United States and Canada (GFOA) awarded Certificates of achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Subchapter 2 for its Financial Report for the fiscal years ended June 30, 1987 through June 30, 1997. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

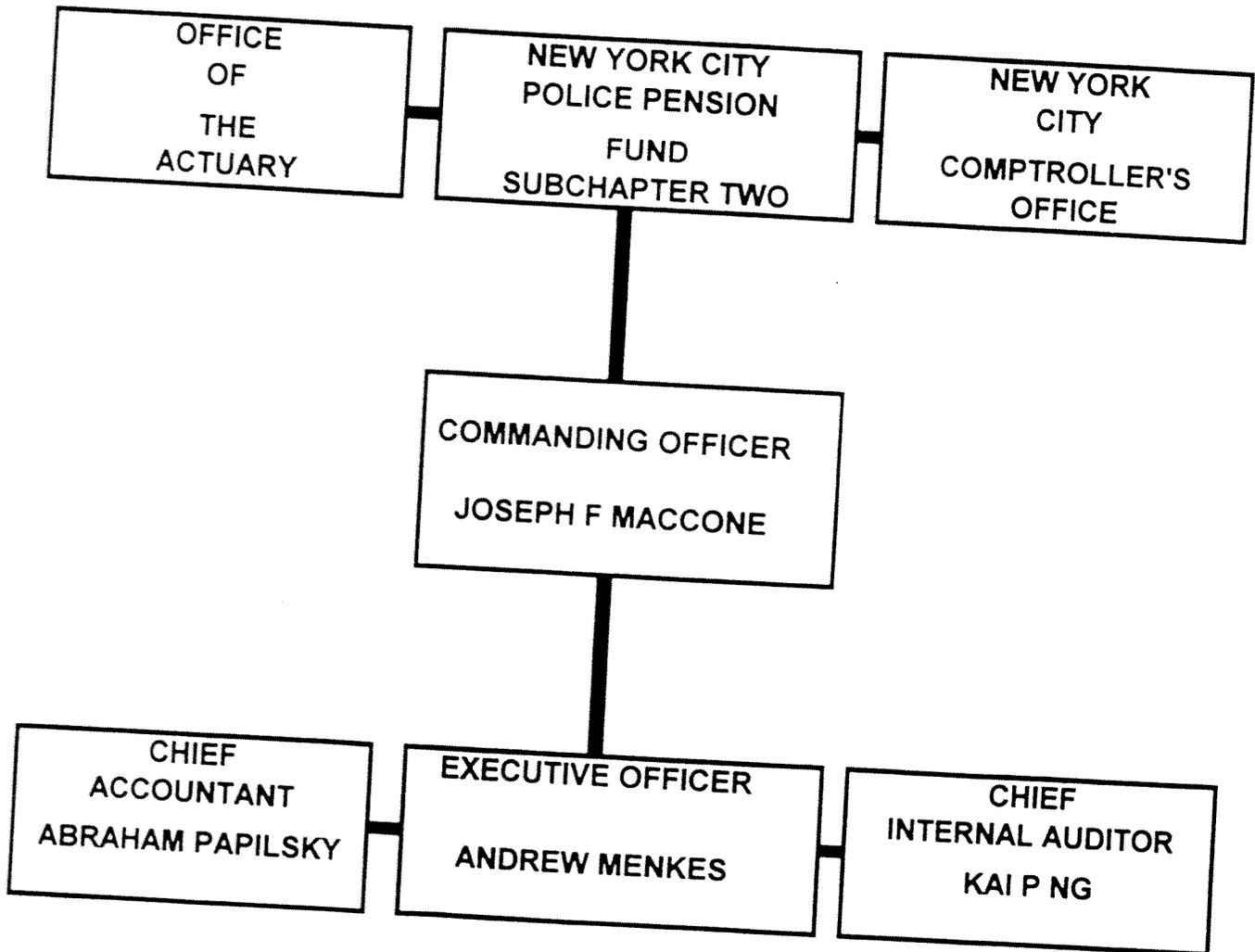
Respectfully submitted,



Joseph F. Maccone
Inspector
Commanding Officer
Pension Section

JFM:av

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER TWO
ADMINISTRATIVE ORGANIZATION



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

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

**FINANCIAL SECTION
PART II**

FISCAL YEAR ENDED JUNE 30, 1998

Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the New York City Police Department Subchapter Two Pension Fund (the "Plan") as of June 30, 1998 and 1997, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of June 30, 1998 and 1997, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

The information on Schedules 1 through 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

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

KPMG Peat Marwick LLP

October 26, 1998

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

Statements of Plan Net Assets

June 30, 1998 and 1997

(in thousands)

	1998	1997
Assets:		
Receivables:		
Receivables for investment securities sold	\$ 431,087	436,909
Accrued interest and dividends receivable	59,568	56,441
Employer contributions receivable - long term (note 6)	469,303	481,844
Total receivables	959,958	975,194
Investments, at fair value (notes 2 and 3):		
Securities purchased under agreements to resell	—	48,669
Other short-term investments:		
Commercial paper	289,514	45,033
Short-term investment fund	431,367	583,739
U.S. Government agency discount notes	33,520	—
Debt securities:		
U.S. Government	2,435,424	2,272,442
Corporate	1,511,940	1,224,126
International investment fund - fixed income	—	121,401
Foreign	226,224	179,561
Equity securities		
International investment fund - equities	8,800,318	7,437,774
Collateral from securities lending transactions	2,326,492	1,739,125
Collateral from securities lending transactions	1,840,477	1,543,285
Total investments	17,895,276	15,195,155
Other assets		
Other assets	4,066	3,343
Total assets	18,859,300	16,173,692
Liabilities:		
Accounts payable (note 2)	34,461	19,163
Payables for investment securities purchased	1,152,373	1,088,143
Accrued benefits payable	11,879	16,852
Deferred employer contribution (note 5)	—	42,316
Securities lending transactions	1,840,477	1,543,285
Total liabilities	3,039,190	2,709,759
Contingent liabilities (note 9)		
Plan net assets held in trust for pension		
benefits (a schedule of funding progress for		
the Plan is presented on Schedule 1)	\$ 15,820,110	13,463,933

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

Years ended June 30, 1998 and 1997

(in thousands)

	1998	1997
Additions:		
Contributions (notes 5 and 6):		
Member contributions (net of loans to members - note 5)	\$ 36,945	31,954
Employer contributions	531,657	529,777
Total contributions	568,602	561,731
Investment income:		
Interest income	386,040	346,172
Securities lending income	97,494	73,181
Dividend income	124,032	124,475
Net appreciation in fair value of investments	2,216,537	2,296,153
Total investment income	2,824,103	2,839,981
Less:		
Investment expenses	107,594	78,374
Securities lending fees	93,423	70,038
Total investment expenses	201,017	148,412
Net investment income	2,623,086	2,691,569
Adjustment for prior year transfer to variable supplements funds (note 4)	—	18,152
Payments from other funds, net (note 1)	3,292	3,085
Total additions	3,194,980	3,274,537
Deductions:		
Benefits payments and withdrawals (note 1)	838,803	790,928
Total deductions	838,803	790,928
Net increase	2,356,177	2,483,609
Plan net assets held in trust for pension benefits:		
Beginning of year	13,463,933	10,980,324
End of year	\$ 15,820,110	13,463,933

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 1998 and 1997

(1) Plan Description

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

The Plan is a single-employer PERS. The Plan provides pension benefits for full-time uniformed employees of the Police Department. All full-time uniformed employees of the New York City Police Department are required to become members of the Plan upon employment.

The Plan functions in accordance with existing State statutes and City laws. It combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employer and the members. Employer contributions and investment income provide all benefits not provided by member contributions.

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

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

At June 30, 1997 and 1996, the dates of the Plan's most recent actuarial valuations, the Plan's membership consisted of:

	1997	1996
Retirees and beneficiaries receiving benefits*	35,280	35,435
Terminated vested members not yet receiving benefits	31	13
Active members**	38,217	36,778
Total	73,528	72,226

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

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

(Continued)

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

Notes to Financial Statements

June 30, 1998 and 1997

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

- A service retirement benefit provides an allowance of one-half of "final salary" (as defined within plan documents) after 20 years or 25 years of service (as elected), with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of "average salary" (as defined within plan documents) times number of years in excess of the 20-year or 25-year minimum. These additional benefits are increased, where applicable, by an annuity attributable to member contributions with respect to service over the 20-year or 25-year minimum and by any benefits attributable to the employer's contributions with respect to such service under the Increased-Take-Home-Pay ("ITHP") program.
- An ordinary disability retirement benefit generally provides a pension equal to 1/40 of final salary times the number of years of service but not less than one-half of final salary if ten or more years of service were completed or one-third of final salary if less than ten years of service were completed.
- An accident disability retirement benefit provides a pension of three-fourths of final salary plus an increment as described above under service retirement for years of service in excess of the 20-year or 25-year minimum plus an annuity based on the member's contributions with accumulated interest and the amount accumulated under the ITHP program.

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

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

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

The New York State Constitution provides that the pension rights of public employees are contractual and shall not be diminished or impaired.

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

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

Notes to Financial Statements

June 30, 1998 and 1997

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

(a) Basis of Accounting

The Plan uses the accrual basis of accounting where the measurement focus is on the flow of economic resources. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Contributions from members are recorded when the employer makes payroll deductions from plan members. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

(b) Method Used to Value Investments

Investments are valued at fair value. Traded securities are stated at the last reported sales price on a national securities exchange on the last business day of the fiscal year. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Purchases and sales of securities are reflected on the trade date.

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

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

(c) Income Taxes

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

(d) Other

Accounts payable represents, principally, amounts due to banks for benefit payments made on or before June 30, 1998 and 1997; transfers to the appropriate bank accounts were made after those dates.

(Continued)

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

Notes to Financial Statements

June 30, 1998 and 1997

(e) Securities Lending Transactions

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

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

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

(3) Deposits and Investments

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

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

Notes to Financial Statements

June 30, 1998 and 1997

The criteria for the plan investments are as follows:

- (a) Fixed income investments may be made only in U.S. Government securities, securities of Government agencies backed by the U.S. Government, securities of companies rated BBB or better by both Standard & Poor's Corporation and Moody's Investors Service and any bond on the Legal Investments for New York Savings Banks list published annually by the New York State Banking Department.
- (b) Equity investments may be made only in those stocks that meet the qualifications of the RSSL.
- (c) Short-term investments may be made in the following instruments:
 - (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.
 - (ii) Commercial paper rated A1 or P1 by Standard & Poor's Corporation or Moody's Investors Service, respectively.
 - (iii) Repurchase agreements collateralized in a range of 100% to 103% of matured value purchased through the primary dealers of U.S. Government securities.
- (d) Investments in banker's acceptances and certificates of deposit may be made with any of the ten largest banks with either the highest or next to the highest rating categories of the leading independent bank rating firms.
- (e) Investments up to 7.5% of total pension fund assets may be made in instruments not specifically covered by the RSSL.

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

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

(Continued)

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

Notes to Financial Statements

June 30, 1998 and 1997

Investments owned by the Plan, including the collateral from securities lending transactions of \$1,840.5 million and \$1,543.3 million at June 30, 1998 and 1997, respectively, are listed according to their investment classification in the following table:

	<u>1998</u>	<u>1997</u>
	(in thousands)	
Categorized (A):		
Repurchase agreements	\$ 157,058	149,023
Commercial paper	845,861	498,606
U.S. Government securities	2,477,637	2,302,684
Corporate bonds	2,083,859	1,224,126
Equity securities	8,800,318	7,437,774
Foreign debt securities	226,224	179,561
Subtotal	14,590,957	11,791,774
Noncategorized (B):		
Short-term investment fund	945,853	583,739
International investment fund - fixed income	—	121,401
International investment fund - equities	2,326,492	1,931,893
Mutual funds	2,315	—
Other	29,659	766,348
Subtotal	3,304,319	3,403,381
Total	\$ 17,895,276	15,195,155

(A) All categorized investments are Category 1 risk.

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

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

The Administrative Code of the City of New York provides that the Plan pay to the Police Officers' Variable Supplements Fund ("POVSF") and the Police Superior Officers' Variable Supplements Fund ("PSOVSF") amounts equal to certain excess earnings on equity investments of the Plan. Such transfers from the Plan to the POVSF and PSOVSF are limited to the unfunded accumulated benefit obligation ("ABO") of these VSFs. The excess earnings are defined as the amount by which earnings on equity investments of the Plan exceed what the earnings would have been had such funds been invested at a yield comparable to that available from fixed income securities, less any cumulative deficiencies of prior years' excess earnings that fell below the yield of fixed income investments.

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

Notes to Financial Statements

June 30, 1998 and 1997

For fiscal year 1997, the unfunded ABO of the VSFs was equal to zero and, therefore, no excess earnings were due from the Plan.

For fiscal year 1998, the unfunded ABO of the VSFs is estimated to be equal to zero, resulting in no transfers due from the Plan.

(5) Contributions

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

(a) Employee Contributions

Members contribute by salary deductions on the basis of a normal rate of contribution which is assigned by the Plan at membership. The normal rate, which is dependent upon age and actuarial tables in effect at the time of membership, is determined so as to provide approximately one-third of the service retirement allowance at the earliest age for service retirement. For age at membership equal to 20, the normal rate ranges between 7.90% and 20%. For age at membership equal to 30, the normal rate ranges between 4.20% and 4.85%.

Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such member's contribution accounts. Contributions from members are recorded when the employer makes payroll deductions from Plan members.

Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding. The amount of member loans outstanding as of June 30, 1998 was approximately \$319 million and as of June 30, 1997, approximately \$297 million.

(b) Employer Contribution

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

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

Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the Actuarial Value of Assets plus the Unfunded Actuarial Accrued Liability ("UAAL"), is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date.

(Continued)

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

Notes to Financial Statements

June 30, 1998 and 1997

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

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

In addition, two UAALs were established under Chapter 119 of the Laws of 1995 ("Chapter 119/95") and Chapter 157 of the Laws of 1997 ("Chapter 157/97").

Chapter 119/95 established a UAAL as of June 30, 1996 for retiree supplementation and is being amortized on a level basis over an effective period of 10 years from December 1996.

Chapter 157/95 established a UAAL as of June 30, 1997 which is being amortized on a level basis over a period of 14 years beginning fiscal year 1997, where the amount of each annual credit after the first is equal to 103% of the preceding annual credit.

The Actuarial Interest Rate ("AIR") assumption utilized to determine the fiscal year 1997 employer contribution differed from that used to determine the fiscal year 1996 employer contribution. The fiscal year 1997 employer contribution decreased by approximately \$42 million compared to what it would have been utilizing the former assumption. Accordingly, the \$42 million, which had been contributed by the employer as of June 30, 1997, is recognized as deferred employer contribution as of that date.

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

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

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

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

Notes to Financial Statements

June 30, 1998 and 1997

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

Employer contributions for 1997 and 1998 were equal to the actuary's recommendations.

(6) Employer Contribution Receivable - Long Term

As a result of State legislation in 1982, the City made certain revisions, effective July 1, 1980, to the Plan. Among other provisions, the legislation changed the timing of pension contributions by the City. Prior to enactment, pension contributions were made on a statutory basis which reflected pension costs incurred two years earlier. The law provides that the adjusted accrued pension contributions receivable ("Employer Contribution Receivable - Long Term") from the City at June 30, 1980, as adjusted, must be amortized over 40 years beginning in fiscal year 1982, with interest at 7.5% per annum (8% beginning in fiscal year 1983, 8.25% beginning in fiscal year 1989, 8.5% beginning in fiscal year 1991 and 8.75% beginning in fiscal year 1997). The interest is included in employer contributions each year.

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

(7) Investment Advisors

The Comptroller of the City of New York (the "Comptroller") utilizes several investment advisors to manage long-term debt and equity portfolios. Advisors must obtain prior approval before each purchase or sale of a particular security.

(8) Related Parties

Administrative and investment expenses (\$4,845,579 in fiscal year 1998 and \$4,805,132 in fiscal year 1997), except for certain investment expenses, are paid by the City.

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

(Continued)

NEW YORK CITY POLICE DEPARTMENT
SUBCHAPTER TWO PENSION FUND

Notes to Financial Statements

June 30, 1998 and 1997

(9) **Contingent Liabilities and Other Matters**

Contingent Liabilities

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

Other Matters

During 1998 and 1997, certain events described herein took place which, in the opinion of plan management, could have the effect of increasing obligations of the Plan to members and beneficiaries. The effect of such events has not been fully quantified; however, it is the opinion of plan management that such developments would not have a material effect on plan net assets or changes in plan net assets.

New York State Legislature

Chapter 157 of the Laws of 1997 provided for an increase of the actuarial interest rate assumption from 8.5% to 8.75% per annum.

Chapter 601 of the Laws of 1997 amends the Administrative Code of the City of New York and the RSSL to bring the Plan into compliance with the requirement of the Federal Older Workers' Benefit Protection Act of 1990 ("OWBPA").

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

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

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

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

(Unaudited)

(in thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial valuation date <u>June 30</u> (A)	<u>Actuarial value of assets</u> (B)	<u>Actuarial accrued liability (AAL) frozen entry age</u> (B&C)	<u>Unfunded AAL (UAAL)</u> (D)(2)-(1)	<u>Funded ratio</u> (1)÷(2)	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u> (3)÷(5)
1997	\$ 11,237,636	\$ 12,475,679	\$ 1,238,043	90.1%	\$ 2,036,450	60.8%
1996	10,342,907	11,603,367	1,260,460	89.1%	1,919,993	65.6%
1995	9,632,930	10,955,850	1,322,920	87.9%	1,844,885	71.7%
1994	8,137,414	9,537,538	1,400,124	85.3%	1,478,485	94.7%
1993	7,658,405	8,973,327	1,314,922	85.3%	1,379,928	95.3%
1992	7,088,879	8,446,542	1,357,663	83.9%	1,332,598	101.9%

(A) For the year ended June 30, 1995 and later, the valuation method was changed from an end of year to a beginning of year convention.

(B) As of June 30, 1995, economic and noneconomic assumptions were revised due to experience review.

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

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

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

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

(Continued)

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

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

(Unaudited)

(in thousands)

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

NEW YORK CITY POLICE DEPARTMENT
SUBCHAPTER TWO PENSION FUND

Schedule of Employer Contributions

(Unaudited)

(in thousands)

<u>Annual fiscal year ended June 30</u>	<u>Required contribution</u>	<u>Percentage contributed</u>
1998	\$ 531,657	100%
1997	529,777	100
1996	554,961	100
1995	414,928	100
1994	414,446	100
1993	448,767	100

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

Actuarial Methods and Assumptions

(Unaudited)

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

<u>Valuation date</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Actuarial cost method	Frozen entry age.	Frozen entry age.
Amortization method for Unfunded Actuarial Accrued Liabilities	Increasing Dollar, except for UAAL attributable to Retiree Supplementation.	Increasing Dollar, except for UAAL attributable to Retiree Supplementation.
Remaining amortization period	All outstanding components of the UAAL are being amortized over closed periods. 13 years for consolidated unfunded accrued liability and BSL. 9 years for UAAL attributable to 1995 Retiree Supplementation.	All outstanding components of the UAAL are being amortized over closed periods. 14 years for consolidated unfunded accrued liability and BSL. 10 years for UAAL attributable to 1995 Retiree Supplementation.
Actuarial asset valuation method	Modified 5-year average of market values with market value restart as of June 30, 1995.	Modified 5-year average of market values with market value restart as of June 30, 1995.
Actuarial assumptions: Assumed rate of return on investments	8.75% per annum.	8.75% per annum.
Postretirement mortality	Tables based on recent experience.	Tables based on recent experience.
Active service withdrawal, death, disability, service retirement	Tables based on recent experience.	Tables based on recent experience.
Salary increases	In general, merit and promotion increases plus assumed general wage increases of 4.0% per year.	In general, merit and promotion increases plus assumed general wage increases of 4.0% per year.
Cost-of-living adjustments	Provided by the legislature on an ad hoc basis.	Provided by the legislature on an ad hoc basis.

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**INVESTMENT SECTION
PART III**

FISCAL YEAR ENDED JUNE 30, 1998

Investment Policy

Investment policies are approved by the Police Board of Trustees. The New York City Comptroller acts as custodian and investment advisor to the Board. Plan assets are diversified across various asset classes, including domestic stock and bonds and in international securities through collective fund investment vehicle. Fiscal year 1998 was a good year for financial markets. The overall investment return of pension assets was about 20%. This is well above the assumed actuarial return of 8.75% and ahead of the median public fund in America, which returned about 17.5%.

The Pension fund continues to diversify plan assets. In Fiscal year 1998, the board approved a new asset allocation plan. The plan calls for continued diversification of assets into various investment categories. Total equity exposure including domestic international emerging and alternative investments is targeted at 70 %.

Securities are made available for lending through various programs. Revenues for fiscal year end 1998 were \$5.2 million. Securities loaned are fully collateralized and all programs provide for indemnification. Proxies are voted by the Comptroller's Office, pursuant to guidelines developed by the Comptroller and approved by the Board of Trustees. The Police Pension fund is active in promoting good corporate governance practices within portfolio companies, such as independent boards of directors, confidential proxy voting and shareholder rights issues. In addition, the Police fund supports good corporate social practices, including fair employment in Northern Ireland and issues impacting the environment.

Background

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

succeeded Subchapter 1(Article1) pension fund established for New York City Police prior to 1940.

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

Management

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

Investment Philosophy

The Board of trustees realized that its primary objective is to assure that the pension plan meet its responsibilities for providing retirement and other benefits. The Board shall always act to assure that the level of investment risk in the portfolio shall be conservative and prudent. It is felt that a moderate level of risk associated with investments is reasonable in order to enhance potential long term investment results. Diversification of assets and investments is sought in order to reduce overall portfolio risk. The plan anticipates positive cash flow and therefore liquidity is not an important factor for the immediate future. The total fund performance is

computed using time weighted rate of return which is consistent with AIMR (Association For Investment Management And Research) and GASB standards

Investment Objective

The Board seeks to enhance the investment returns of the fund in order to permit higher benefits and to achieve lower costs. The performance objective is to maximize total return on assets and the preservation of principal of investments during adverse market conditions. Having broad and prudent diversification of assets will reduce risks and produce competitive results of return on investments. Where investment factors including return, risk and liquidity are similar, the board will give consideration to investments which will have a positive impact on the economy of the State and City of New York.

Investment Approach

In order to monitor and control the activities within the investment function, the Board has reserved certain responsibilities for itself. Also all payments of benefits and contracts entered into with outside consultants are approved by the Board of Trustees. As custodian and Chief Investment Manager of the Pension fund, the Comptroller is responsible for the fund assets of more than \$18.4 billion. Investment policies are adopted by the Board of Trustees. The Comptroller employs a competent and qualified investment staff for the management of the major portion of portfolio assets. In those areas where specialized expertise is required, the Board employs the services of outside Investment Managers.

Investment Organization and Responsibilities

The Board recognized its responsibility to ensure that the assets of the fund are managed effectively and prudently in full compliance with all applicable laws and for the exclusive benefit of participants and beneficiaries. The Board will review the rate of return on its investments from various investment managers. If the rate of return is not above market, then the Board will seek other consultants or investment advisors. This process is done from time to time. The Board has established a reporting process for regular and timely review and evaluation of investment results. The Board may also request, receive and review reports from the investment staff and investment managers. There are quarterly and annual reports on the investment returns of the

fund prepared by the Comptroller which are reviewed and evaluated by the Board. The Board will ensure that all investment managers are performing at a high level of performance.

The report on Investment Activity was prepared by the Accounting and Investment unit of the pension plan in conjunction with the Comptrollers Office of the city of New York under the guidance of the Board of Trustees.

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2

CONSOLIDATED PERFORMANCE REPORT

Through June 30, 1998

Assets (\$MM)	% Total		3 Mos Apr-98 Jun-98	YTD Jan-98 Jun-98	1 Yr Jul-97 Jun-98	3 Yrs Jul-95 Jun-98	5 Yrs Jul-95 Jun-98	7 Yrs Jul-91 Jun-98	10 Yrs Jul-88 Jun-98
8,798.27	57.24	U.S. Equities	1.81	14.90	27.76	28.00	21.42	19.42	17.51
2,371.64	15.43	Active Equities	1.67	14.60	25.25	27.36	20.97	18.66	16.74
6,426.63	41.81	Passive Equities	1.88	15.22	29.04	28.38	21.67	19.77	17.82
		SIS U.S. Equity Median	0.20	12.33	23.79	25.87	21.03	19.77	18.06
		Russell 3000	1.81	15.10	28.79	28.45	21.73	19.88	17.89
4,247.29	27.63	U.S. Fixed Income	2.30	4.32	11.90	9.17	7.73	9.44	9.82
3,518.19	22.89	Structured Managed Program	2.73	4.54	12.34	8.92	7.52	9.44	9.82
		SIS Fixed Income Median	2.14	3.98	10.27	7.96	6.99	8.90	9.36
		Lehman Bros NYC Index	2.61	4.26	11.81	8.47	7.41	9.25	9.63
552.54	3.59	Enhanced Yield	-0.13	3.31	10.30	13.88	n/a	n/a	n/a
		Salomon Bros BB&B Rated Inde	1.14	5.19	12.27	12.13	n/a	n/a	n/a
2,326.49	15.13	International Equities	0.55	15.00	5.54	13.58	12.57	11.85	n/a
2,265.67	14.74	Int'l Equities Developed Marke	1.30	16.32	7.45	14.21	12.95	12.11	n/a
1,486.62	9.67	Active Equities	1.32	15.95	7.61	15.80	14.63	13.69	n/a
779.05	5.07	Passive Equities	1.35	16.28	6.12	10.94	10.21	9.85	n/a
		EAFE	1.03	15.90	5.88	10.63	10.01	9.84	n/a
		TUCS International Equity Medi	0.39	14.12	6.03	13.89	13.25	12.60	n/a
60.82	0.40	Emerging Markets	-20.35	-16.92	-32.74	n/a	n/a	n/a	n/a
		MSCI Emerging Markets Free	-24.30	-18.90	-40.35	n/a	n/a	n/a	n/a
15,372.04	100.00	Total Portfolio	1.75	11.70	19.96	19.93	15.58	15.14	14.14
		SIS Public Fund Median	1.56	9.79	17.23	17.50	13.82	13.70	12.84

NEW YORK CITY POLICE DEPARTMENT

PENSION FUND- SUBCHAPTER 2

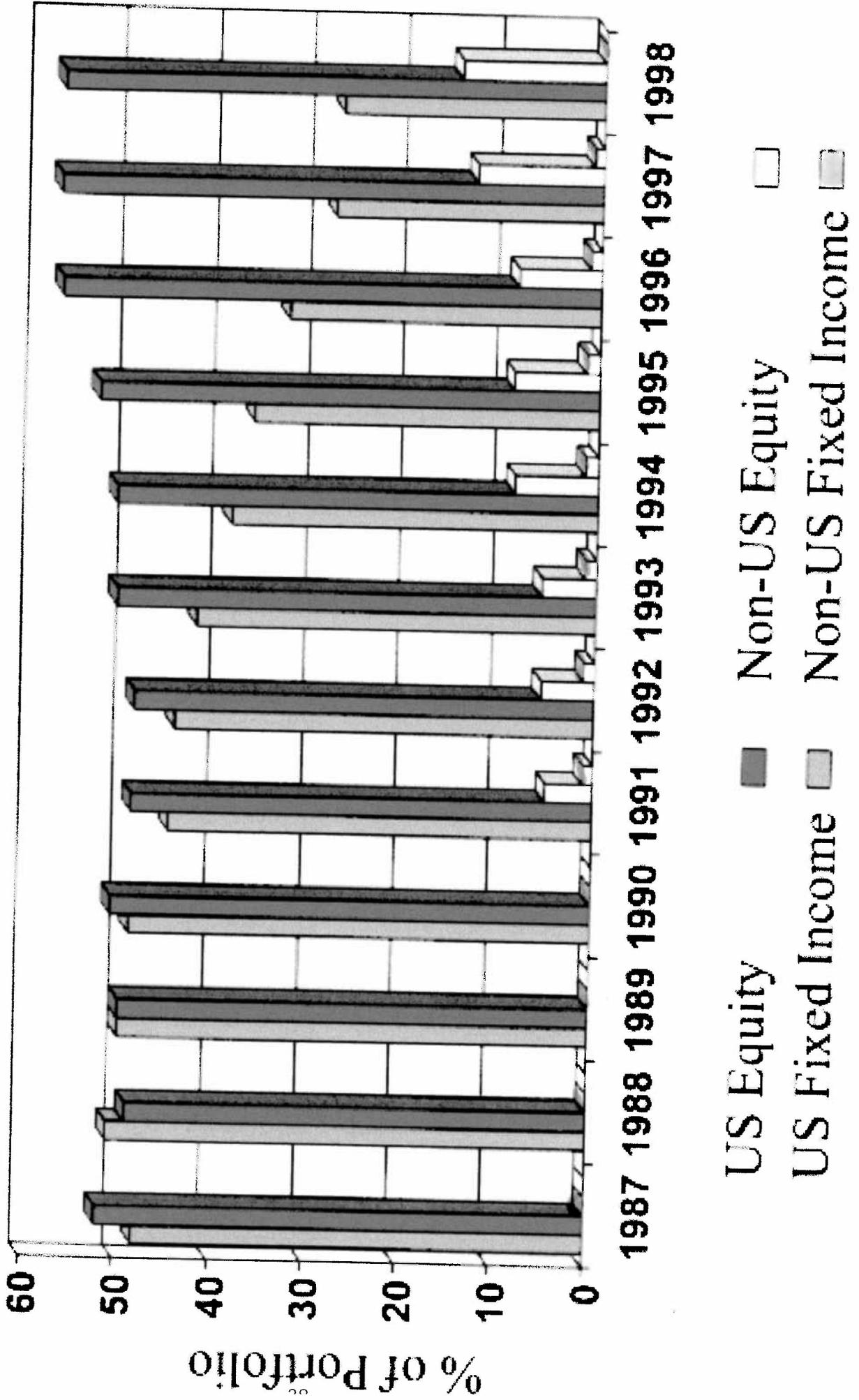
ASSET ALLOCATION 6/30/88 to 6/30/98

	<u>Us Equity</u>	<u>Int'l Equity</u>	<u>Domestic Fixed</u>	<u>Int'l Fixed</u>	<u>Cash</u>
06/30/88	49	0	49	0	2
06/30/89	50	0	47	0	3
06/30/90	51	0	45	0	4
06/30/91	49	5	43	1	2
06/30/92	48.8	5.6	41.8	1.1	2.7
06/30/93	50.8	5.7	41.3	1.1	1.1
06/30/94	51	8.8	37	1.3	1.9
06/30/95	53	9	34.4	1.4	2.2
06/30/96	57.08	8.77	30.25	1.06	2.84
06/30/97	57.4	13.32	27.82	0.93	0.53
06/30/98	57.24	15.13	27.08	0	0.55

NYC POLICE DEPARTMENT PENSION FUND

ASSET ALLOCATION

June 30, 1987 - June 30, 1998



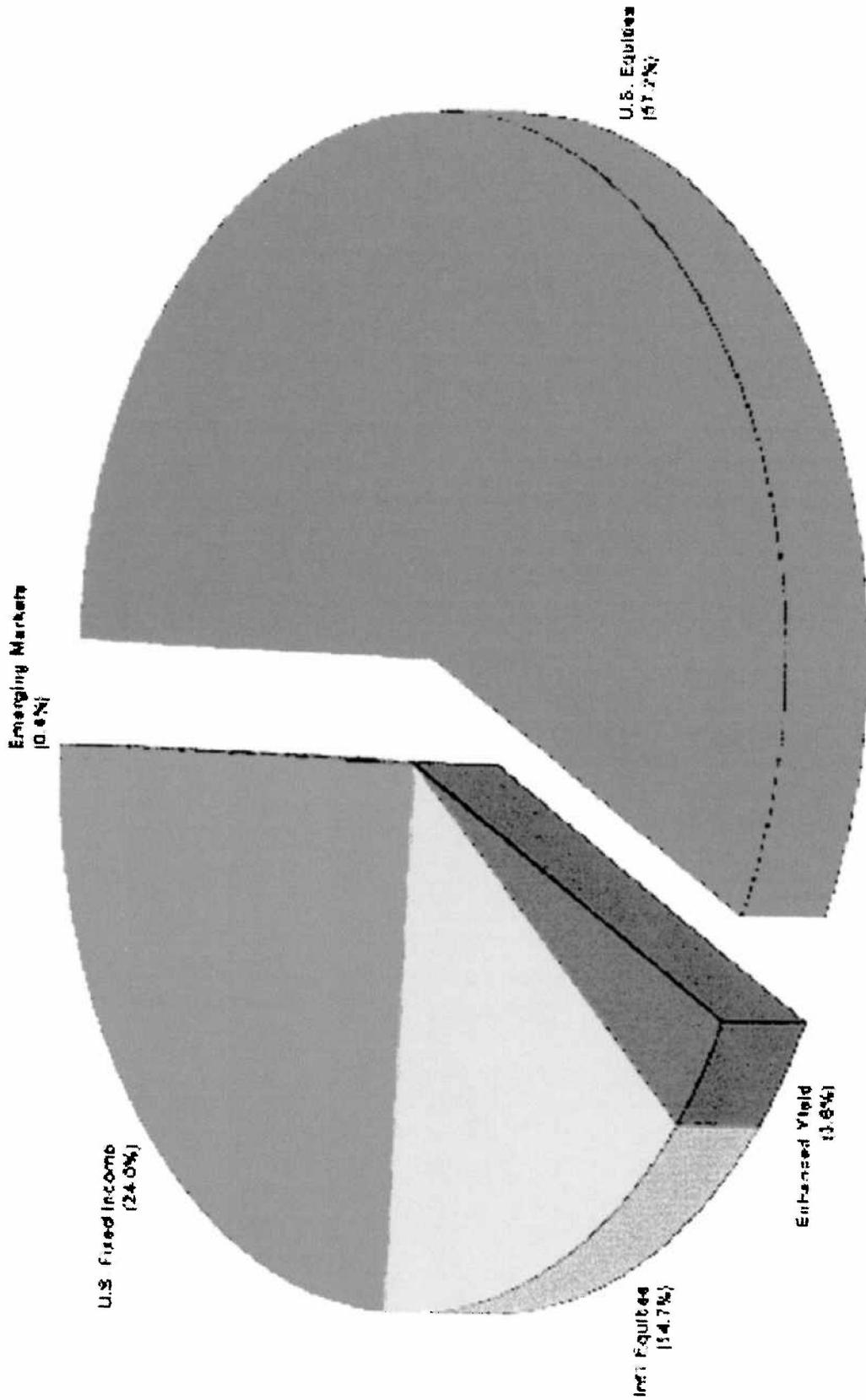
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CONFIDENTIAL - SECURITY INFORMATION

CONFIDENTIAL - SECURITY INFORMATION

CONFIDENTIAL - SECURITY INFORMATION

**NYC Police Department Pension Fund
Asset Allocation**



As of 6/30/98

NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER 2

REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 1998

INTERNATIONAL

ACTIVE	<u>IN (000)</u>
BANK OF IRELAND	\$558
CAPITAL GUARDIAN	1,082
GE INVESTMENT	229
SCHRODER CAPITAL	579
SCUDDER KEMPER	970
TOTAL ACTIVE	<u>3,418</u>
PASSIVE	
BARCLAYS GLOBAL	361
TOTAL PASSIVE	<u>361</u>
TOTAL DEVELOPED MARKETS	<u>3,779</u>
EMERGING MARKETS	
GENESIS ASSET	568
TOTAL EMERGING	<u>568</u>
TOTAL INTERNATIONAL	<u>\$4,347</u>

NEW YORK POLICE DEPARTMENT PENSION FUND- SUBCHAPTER 2

REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 1998

<u>FIXED INCOME</u>	<u>IN (000)</u>
GOVERNMENT	
BARCLAYS GLOBAL	\$33
FISCHER FRANCIS	222
INVESTMENT ADVISORS	266
PUTNAM	165
TOTAL GOVERNMENT	<u>686</u>
MORTGAGE	
LINCOLN CAPITAL	261
PIMCO	424
MILLER ANDERSON	472
TOTAL MORTGAGE	<u>1,157</u>
CORPORATE	
BEA	175
T. ROWE PRICE	104
TOTAL CORPORATE	<u>279</u>
YANKEE	
FISCHER FRANCIS	96
TOTAL YANKEE	<u>96</u>
TOTAL STRUCTURED	<u>2,218</u>
ENHANCED YIELD	
ALLIANCE CAPITAL	196
BEA	285
LOOMIS SAYLES	601
WR HUFF	442
TOTAL ENHANCED YIELD	<u>1,524</u>
TOTAL FIXED INCOME	<u>\$3,742</u>

NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER 2

REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 1998

<u>US EQUITIES</u>	<u>IN (000)</u>
VALUE	
EQUINOX CAPITAL	\$873
LOOMIS SAYLES	836
SALOMON SMITH BARNEY	628
TOTAL VALUE	<u>2,337</u>
GROWTH	
AMERICAN EXPRESS	458
FIDELITY	1,122
J.W. SELIGMAN	366
LOOMIS SAYLES	496
TOTAL GROWTH	<u>2,442</u>
PASSIVE	
BANKERS TRUST	69
TOTAL PASSIVE	<u>69</u>
TOTAL US EQUITIES	<u><u>\$4,848</u></u>

NEW YORK POLICE DEPARTMENT PENSION FUND- SUBCHAPTER 2

REPORT ON INVESTMENT ADVISOR AND CONSULTANT FEES

JUNE 30, 1998

<u>PAYEE ADVISOR</u>	<u>CONTRACT NUMBER</u>	<u>ACCOUNT NUMBER</u>	<u>INVOICE PERIOD</u>	<u># QUARTERS PAID</u>	<u>IN (000) AMOUNT</u>
<u>POLICE</u>					
BARCLAYS	9885165	304420	7/1_6/30/98	4	\$341
T. ROWE PRICE (Closed)	9892324	304421	7/1_9/30/97	1	20
SCHRODER CAPITAL	9892369	304422	7/1_6/30/98	4	575
SCUDDER TRUST	9892222	304423	7/1_6/30/98	4	971
BANK OF IRELAND	9892329	304424	7/1_6/30/98	4	487
GE INVESTMENTS	9892381	304425	7/1_6/30/98	4	265
CAPITAL GUARDIAN	9892371	304426	7/1_6/30/98	4	1,074
GENESIS ASSET		304427			0
PICTET		304428			0
BUCK CONSULTANTS	2784301	CONSULTANT	7/1_6/30/98	4	100
STRATEGIC INV. SOL.	2784302	CONSULTANT	7/1_6/30/98	4	180
PACIFIC CORP. GROUP	1.784401	CONSULTANT	7/1_6/30/98	4	15
TOTAL POLICE	A/C 252822	CHARGED			<u>\$4,028</u>

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

ABEL NOSER CORP THRU 100		0	
		0	
ABN AMRO INC	%	0.00	
		5802	
		0.0373	
ADAMS HARKNESS & HILL	%	0.06	
		850	
		0.0494	
ADVEST,INC	%	0.01	
		255	
		0.05	
AFFILIATED INVEST SERV THR	%	0.01	
		165	
		0.05	
ANVIL INST SVCS THRU 0443	%	0.00	
		0	
		0	
ARCADIA INVESTMENT CORP.	%	0.00	
		440	
		0.05	
AUTRANET,INC THRU 0443	%	0.00	
		2035.52	
		0.0535	
B-TRADE SERVICES LLC	%	0.03	
		0	
		0	
BAIRD ROBERT W & CO INC	%	0.00	
		5251	
		0.0356	
BANK OF NY BZW HIGH YIELD	%	0.06	
		13033.35	
		0.03	
	%	0.15	

BROKER COMMISSION REPORT

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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

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6/30/98

Police

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Broker

Aver/Cost/St Comm.

BANKERS TR-BROKER CLEAR TH	19922.98	
	0.02	
%	0.23	
BANKERS TRUST CO. - GIM	0	
	0	
%	0.00	
BANKERS TRUST CO-GIM	0	
	0	
%	0.00	
BEAR STEARNS SECS CORP	81637.68	
	0.0409	
%	0.96	
BEREAN CAPITAL INC #2	0	
	0	
%	0.00	
BERNSTEIN SANFORD C. & CO	45948.14	
	0.043	
%	0.54	
BHF SECURITIES CORP	0	
	0	
%	0.00	
BISHOP ROSEN	0	
	0	
%	0.00	
BLACK & CO THRU 0443	0	
	0	
%	0.00	
BLAIR WILLIAM & CO	9784	
	0.0526	
%	0.11	
BLAYLOCK PARTNERS L.P. THR	0	
	0	
%	0.00	

BROKER COMMISSION REPORT

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(12 MONTH CUMULATIVE)

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6/30/98

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BOSTON INSTITUTIONAL THRU	345		0.05
	% 0.01		
BREAN MURRAY FOSTER THRU 0	0		0
	% 0.00		
BRICK DIV GERARD KIAUER TH	920		0.05
	% 0.01		
BRIDGE TRADING THRU 233	18744.34		0.0568
	% 0.22		
BROAD COURT CORP THRU 0161	25051		0.059
	% 0.29		
BROWN BROTHERS HARRIMAN &	8046		0.06
	% 0.09		
BT ALEX BROWN INC	37344.55		0.0461
	% 0.44		
BUCKINGHAM RESEARCH GROUP,	0		0
	% 0.00		
BURNS FRY HOARE GOVETT INC	0		0
	% 0.00		
C & A TRADING - NSCC	7602		0.06
	% 0.09		
CANTOR FITZGERALD & CO, IN	22304.32		0.0326
	% 0.26		

BROKER COMMISSION REPORT

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Broker

Aver/Cost/St Comm.

CAPEL JAMES SECURITIES THR	13219	
	0.0514	
%	0.15	
CAPITAL INSTIT SEC INC THR	73590.92	
	0.0537	
%	0.87	
CHAPMAN COMPANY THRU 0235	0	
	0	
%	0.00	
CHEMICAL SECURITIES THRU 0	498	
	0.06	
%	0.00	
CIBC OPPENHEIMER CORP	21719.56	
	0.0516	
%	0.26	
CITATION GROUP THRU 0161	39240	
	0.05	
%	0.45	
CLEARY, GULL & REILAND THR	200	
	0.05	
%	0.01	
CONNING & CO THRU 0161	2478	
	0.06	
%	0.03	
CORRESPONDENT SVCS CORP TH	5688	
	0.0467	
%	0.06	
COWEN & CO	58700.5	
	0.0416	
%	0.69	
CREDIT SUISSE FIRST BOSTON	78335	
	0.0443	
%	0.92	

BROKER COMMISSION REPORT

SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

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6/30/98

Police

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CRUTTENDEN & CO THRU 0443	0		0
	% 0.00		35
D. E. SHAW SECURITIES, INC	0.0025		
	% 0.00		6077
DAIN BOSWORTH INC THRU 023	0.0563		
	% 0.07		0
DAKIN SECS CAP THRU 0352	0		0
	% 0.00		0
DEAN WITTER REYNOLDS INC	0		
	% 0.00		20731.8
DEUTSCHE MORGAN GRENFELL	0.0472		
	% 0.24		0
DEVON SECURITIES	0		0
	% 0.00		145
DILLON, READ & CO INC	0.05		
	% 0.00		565
DRESDNER SECS (USA) INC	0.05		
	% 0.01		104
DUNLEVY & CO INC THRU 0642	0.04		
	% 0.00		90
EDGE SECURITIES THRU 0161	0.05		
	% 0.00		

BROKER COMMISSION REPORT

SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

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Police

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Broker

Aver/Cost/St Comm.

EDWARDS (AG) & SONS INC	939	
	0.0583	
%	0.01	
EQUITABLE SECS THRU 0573	0	
	0	
%	0.00	
ERNST & CO	12194	
	0.0522	
%	0.14	
EVEREN SECS INC THRU 0262	130	
	0.05	
%	0.01	
EWING CAPITAL THRU BROADCO	0	
	0	
%	0.00	
EXECUTION SERVICES INC	16495	
	0.049	
%	0.19	
F C FINANCIAL SVCS THRU 04	0	
	0	
%	0.00	
FACTSET DATA SYSTEMS INC	6126	
	0.06	
%	0.07	
FACTSET DATA SYSTEMS THRU	15211	
	0.0536	
%	0.18	
FAHNESTOCK & CO.	2744	
	0.0585	
%	0.03	
FIRST ALBANY CORP	2781	
	0.0566	
%	0.03	

BROKER COMMISSION REPORT

SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

<u>Broker</u>	<u>Tot. Comm.</u>	<u>% Total</u>	<u>Aver/Cost/St Comm.</u>
FIRST ANALYSIS SEC CORP TH	515		0.05
	% 0.01		
FIRST OF AMERICA BANK-MICH	1536		0.06
	% 0.02		
FIRST OPTIONS OF CHICAGO T	918		0.03
	% 0.01		
FOX PITT KELTON INC THRU 0	130		0.05
	% 0.00		
FRANK RUSSELL /BROADCORT T	1428		0.06
	% 0.02		
FRANK RUSSELL SECS THRU 03	1236		0.06
	% 0.01		
FRIEDMAN BILLNGS & RAMSY T	0		0
	% 0.00		
FRIEND L H WEINRESS THRU 0	0		0
	% 0.00		
FURMAN SELZ MAGER & CO THR	10132		0.0508
	% 0.12		
GARDNER RECH & CO THRU 079	28965		0.0507
	% 0.34		
GELDERMANN SECURITIIES INC	0		0
	% 0.00		

BROKER COMMISSION REPORT

**SUMMARY
BY BROKER, BY SYSTEM**

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF: 6/30/98

Police

<u>Broker</u>	<u>Tot. Comm.</u>	<u>% Total</u>	<u>Aver/Cost/St Comm.</u>
GENESIS MERCHANT GRP SEC T	0		
	0		
%	0.00		
GERARD KLAEUR MATTISON THR	6171		
	0.0373		
%	0.07		
GILBERT DONZIGER & CO THRU	0		
	0		
%	0.00		
GLAZER C L & COMPANY THRU	0		
	0		
%	0.00		
GLENMEDE TRUST CO	135		
	0.05		
%	0.00		
GOLDID PITTS THRU 0501	18759.9		
	0.0507		
%	0.22		
GOLDMAN, SACHS & CO.	149824.98		
	0.035		
%	1.75		
GORDON HASKETT CAP CORP	635.03		
	0.0566		
%	0.01		
GREEN STREET ADVISORS INC	60		
	0.05		
%	0.00		
GRUNTAL & CO INC	357		
	0.0215		
%	0.01		
GRUSS, OSCAR, & SON INC	19037		
	0.0506		
%	0.22		

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

GS2 SECURITIES, INC.		95	
		0.05	
GUZMAN & COMPANY	%	0.00	
		9053.72	
		0.0381	
HENDERSON BROTHERS, INC.	%	0.11	
		2750	
		0.05	
HERZOG, HEINE, GEDULD, INC	%	0.03	
		0	
		0	
HOENIG & CO THRU 0013	%	0.00	
		2639	
		0.0539	
HOWARD, WEIL, LABOUISSSE TH	%	0.03	
		780	
		0.06	
IBES INC THRU 0231	%	0.01	
		0	
		0	
INFERENTIAL FOCUS THRU 035	%	0.00	
		457	
		0.0564	
INSTINET CORP	%	0.00	
		0	
		0	
INSTINET CORP THRU 0067	%	0.00	
		41248.55	
		0.0128	
INSTITUTIONAL SERVICES UNL	%	0.49	
		14463.6	
		0.0591	
	%	0.17	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF: **6/30/98**

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

INTERRA CLEARANCE SVC INC	771	
	0.0056	
%	0.00	
INTERSTATE/JOHNSON LANE CO	7870	
	0.0589	
%	0.10	
INVESTMENT TECH GRD THRU 0	130646	
	0.0236	
%	1.53	
ISI GROUP INC THRU 0352	4950.9	
	0.058	
%	0.05	
ISI GROUP INC THRU 0573	0	
	0	
%	0.00	
JACKSON PARTNERS & ASSOC T	0	
	0	
%	0.00	
JANNEY MONTGOMERY SCOTT IN	3596	
	0.0561	
%	0.05	
JEFFRIES & CO	21132.46	
	0.0375	
%	0.24	
JOHNSON RICE & CO THRU 035	0	
	0	
%	0.00	
JONES & ASSOCS THRU 0226	4271	
	0.0452	
%	0.05	
KALB, VOORHIS & CO.	8405	
	0.05	
%	0.10	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

KALIN ASSOCIATES THRU 0443		260	
		0.05	
KEEFE BRU & WOODS INC THRU	%	0.00	
		10015	
		0.05	
KING, CL AND ASSOC	%	0.12	
		1085	
		0.05	
KNIGHT SECURITIES, L P	%	0.01	
		0	
		0	
LAWRENCE HELFANT, INC. THR	%	0.00	
		2600	
		0.05	
LAZARD FRERES & CO.	%	0.03	
		7349	
		0.0598	
LEGG MASON	%	0.09	
		7995	
		0.0385	
LEHMAN BROS PR INC	%	0.09	
		96386.7	
		0.0454	
LEWCO SECS FOR HAMBERCH TH	%	1.13	
		25098	
		0.0512	
LEWCO SECS FOR WERTHEIM TH	%	0.30	
		54590.96	
		0.0478	
LEWCO SECURITIES CORP	%	0.63	
		0	
		0	
	%	0.00	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

LYNCH JONES & RYAN INC. TH	6645	
	0.0548	
%	0.08	
M. RAMSEY KING SECURITIES	1245.5	
	0.05	
%	0.02	
MAGNA SECURITIES CORP	0	
	0	
%	0.00	
MANUFACTURERS & TRADERS TR	0	
	0	
%	0.00	
MAY DAVIS GROUP INC	9768	
	0.06	
%	0.11	
MCDONALD & COMPANY SEC INC	0	
	0	
%	0.00	
MERRILL LYNCH PROFESS CLEA	9134	
	0.0496	
%	0.11	
MERRILL LYNCH,PIERCE,FENNE	216192.24	
	0.0398	
%	2.53	
MESIROW CAPITAL INC	395	
	0.05	
%	0.00	
MIDWOOD SECURITIES	0	
	0	
%	0.00	
MOORS & CABOT, INC.	70	
	0.05	
%	0.00	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

<u>Broker</u>	<u>Tot. Comm.</u>	<u>% Total</u>	<u>Aver/Cost/St</u>	<u>Comm.</u>
MORGAN (JP) SECS INC	23035			0.0413
	% 0.27			
MORGAN KEEGAN & CO INC	3450			0.06
	% 0.04			
MORGAN STANLEY & CO INC	226501.37			0.0201
	% 2.65			
NATIONAL FINANCE SVCS CORP	2600			0.0215
	% 0.03			
NATIONS BANK MONTGOMERY SEC	57958			0.0503
	% 0.68			
NATWEST SECS CORP	5981			0.0363
	% 0.07			
NEEDHAM & CO INC THRU 0050	0			0
	% 0.00			
NEUBERGER & BERMAN, LLC	66			0.055
	% 0.00			
NORTHEAST SECS INC	0			0
	% 0.00			
NUTMEG SECS THRU 0443	2247			0.0518
	% 0.03			
O'NEIL, WILLIAM & CO., INC.	3306			0.0552
	% 0.04			

BROKER COMMISSION REPORT

SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

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Broker

Aver/Cost/St Comm.

ORMES CAPITAL MKTS INC THR	0	
	0	
%	0.00	
PAINÉ WEBBER INC	49597.21	
	0.0513	
%	0.58	
PAULSEN & CO THRU 0352	6880	
	0.05	
%	0.08	
PAULSEN DOWLING SECS THRU	265	
	0.05	
%	0.00	
PCS SECS INC THRU 0352	3395	
	0.0528	
%	0.04	
PERSHING DIV DONALDSON,LUF	96887.24	
	0.0421	
%	1.13	
PIPER, JAFFRAY INC	0	
	0	
%	0.00	
PRUDENTIAL SECS INC	40145.65	
	0.0539	
%	0.47	
PRYOR MCLENDON THRU 0030	655	
	0.05	
%	0.01	
PUNK ZIEGEL & KNOELL THRU	910	
	0.05	
%	0.01	
QUAKER SECS INC THRU 0501	0	
	0	
%	0.00	

BROKER COMMISSION REPORT

SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

<u>Broker</u>	<u>Tot. Comm.</u>	<u>% Total</u>	<u>Aver/Cost/St Comm.</u>
RAGEN MACKENZIE			0
			0
RAUSCHER PIERCE REFSNES CO	% 0.00		1158
			0.06
RAYMOND JAMES & ASSOCIATES	% 0.02		5674.87
			0.0396
REYNDERS, GRAY & CO INC TH	% 0.06		0
			0
ROBERTSON STEPHENS	% 0.00		1885
			0.0467
ROBINSON HUMPHREY THRU 041	% 0.03		12009
			0.051
ROCHDALE SEC CORP THRU 044	% 0.14		17186
			0.0592
SALOMON BROTHERS	% 0.20		19741
			0.0435
SBC WARBURG, INC	% 0.23		14642.8
			0.0297
SBK - BROOKS INVESTMENT CO	% 0.17		2635
			0.05
SCHWAB, CHARLES & CO INC	% 0.03		0
			0
	% 0.00		

BROKER COMMISSION REPORT

**SUMMARY
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OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

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6/30/98

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Tot. Comm. % Total

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Aver/Cost/St Comm.

SCOTT AND STRINGFELLOW INC		0	
		0	
	%	0.00	
SEI FINANCIAL THRU 0161		375	
		0.05	
	%	0.00	
SHERWOOD SECURITIES CORP T		0	
		0	
	%	0.00	
SK INTL SECS THRU 0573		1083	
		0.03	
	%	0.02	
SMITH BARNEY INC		96418	
		0.036	
	%	1.13	
SMITH BARNEY INC THRU 0418		0	
		0	
	%	0.00	
SOUNDVIEW FINL GROUP THRU		6586	
		0.0555	
	%	0.07	
SOUTHCOAST CAPITAL CORP TH		5635	
		0.0595	
	%	0.07	
SOUTHTRUST BANK IPA		95	
		0.05	
	%	0.00	
SPEAR, LEEDS & KELLOGG		15590	
		0.05	
	%	0.18	
SSB - NY CORP TRUST IPA		0	
		0	
	%	0.00	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

STANDARD & POORS SEC THRU		16365	
		0.0597	
STATE STREET BROKERAGE SVC	%	0.19	
		175	
		0.05	
SUTRO & COMPANY INC THRU 0	%	0.01	
		168	
		0.03	
THOMSON INSTITUTIONAL SVCS	%	0.00	
		0	
		0	
TRENDALYSIS SECURITIES INC	%	0.00	
		0	
		0	
TROSTER SINGER CORP THRU 0	%	0.00	
		2.4	
		0.0001	
UBS SECURITIES	%	0.00	
		39302	
		0.0553	
US CLEARING CORP CASHING	%	0.46	
		3590	
		0.05	
US CLEARING INST TRAD	%	0.04	
		791	
		0.01	
UST SECURITIES CORO THRU 0	%	0.01	
		762	
		0.06	
VOLPE WELTY & CO THRU 0352	%	0.01	
		0	
		0	
	%	0.00	

BROKER COMMISSION REPORT

SUMMARY
BY BROKER, BY SYSTEM

OF COMMISSIONS PAID

(12 MONTH CUMULATIVE)

AS OF:

6/30/98

Police

Tot. Comm. % Total

Broker

Aver/Cost/St Comm.

WAINWRIGHT (H. C.) & CO TH		135	
		0.05	
WEEDON & CO THRU 0443	%	0.00	
		70772.25	
		0.0423	
WEISS, PECK & GREER	%	0.83	
		400	
		0.05	
WESSELS, ARNOLD & HENDERSON	%	0.00	
		0	
		0	
WEXFORD CLEARING SVCS CORP	%	0.00	
		0	
		0	
WHEAT, FIRST SECURITIES, INC	%	0.00	
		20	
		0.05	
WILLIAMS CAPITAL GROUP, L.	%	0.00	
		22481.86	
		0.0362	
WILSHIRE ASSN NSCC	%	0.26	
		421	
		0.0546	
	%	0.01	
TOTAL COMMISSION		2505295.85	

NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND

STATEMENT OF FIXED INCOME HOLDINGS

AS OF JUNE 30, 1998

Security Description	Units	Market Value	CUSP Number	CCIN Number	
SPECIALTY EQUIP COS INC SR SUB NT	11.375	8/15/03 1,150,000.00	\$1,336,875.00	147907AD1	CAAR202
CASINO MAGIC LA CORP 1ST MTG NT	13	5/1/28 1,333,428.11	\$1,329,867.86	3128G3BM3	X2KL642
FEDERAL HOME LN MTG CORP PC GOLD	6.5	4/1/08 1,315,000.00	\$1,318,287.50	717135AA5	PAASQ02
PHARMERICA INC SR SUB NT 144A REG	8.375	7/15/93 1,150,000.00	\$1,314,392.50	254687AH9	D195202
DISNEY WALT CO FORMERLY DISNEY	7.55	10/1/03 1,250,000.00	\$1,312,500.00	004527AD9	A004U02
ACKERLEY COMMUNICATIONS INC SR	10.75	3/1/25 1,168,378.92	\$1,311,622.18	**C022E02	C022E02
CPC #426 2261-2265-2267-2269-2271-	10.29	9/1/04 2,075,000.00	\$1,307,250.00	755246AA3	RAAFD12
READ-RITE CORP SUB NT CONV REG	6.5	7/5/10 1,200,000.00	\$1,300,000.00	48258VAF6	K001L02
K MART CORP	8.99	6/15/02 1,150,000.00	\$1,299,500.00	846425AC0	S497L02
SPANISH BROADCASTING SYS INC SR NT	12.5	9/1/08 1,105,000.00	\$1,299,336.35	211177AG5	C437S02
CONTINENTAL CABLEVISION INC	9	6/15/05 1,210,000.00	\$1,298,644.60	887315AN9	T356L02
TIME WARNER INC	7.75	11/25/27 1,268,519.03	\$1,295,386.26	42209EEB2	HAAGM02
HEADLANDS MTG SECS INC MTG	7.25	10/15/05 1,250,000.00	\$1,293,750.00	629156AF7	N438T02
NL INDS INC SR SECD DISC NT	13	2/29/00 1,255,509.36	\$1,291,341.60	607083AA0	M571K02
MOBIL OIL CORP EMPLOYEE STK	9.17	12/1/26 1,236,786.76	\$1,290,896.18	31379PDL3	X3JL642
FEDERAL NAT MTG ASSN GTD PASS THRU	8.5	3/1/24 1,273,560.35	\$1,281,520.10	31360FC29	X3IYN42
FEDERAL NAT MTG ASSN GTD PASS THRU	6.237	10/1/07 1,821,000.00	\$1,274,700.00	722299AF1	PAATZ32
PINDO DELI FIN MAURITIUSLTD GTD	10.75	8/1/07 1,230,000.00	\$1,273,050.00	695542AC4	P10CV02
PAGING NETWORK INC	10.125	12/30/11 1,775,000.00	\$1,268,737.50	269077AA1	EAAF202
ESI TRACTEBEL ACQUISITION CORP	7.99	6/15/28 1,266,781.00	\$1,264,361.45	36207J3M3	XA59A42
GOVT NAT MTG ASSN REG POOL #433804	6.5	6/1/20 1,156,638.92	\$1,263,789.95	31295WVK1	X1B7H42
FEDERAL HOME LN MTG CORP PC GOLD	10	1/30/37 1,195,000.00	\$1,253,459.40	87305HAA9	T908U02
TU ELECTRIC CAPITAL V	8.175	9/1/08 1,238,584.39	\$1,248,703.62	313707L76	X3H4742
FEDERAL NAT MTG ASSN GTD PASS THRU	6.5	4/1/23 1,130,000.00	\$1,248,650.00	126304AH7	CABBQ02
CSC HOLDINGS INC SR SUB DEB	9.875	5/21/10 1,400,000.00	\$1,246,000.00	000000000	C486U32
COSTA RICA PRINCIPAL A	6.25	2/15/13 1,125,000.00	\$1,243,125.00	126304AE4	CABCA02
CSC HLDGS INC SR SUB DEB	9.875	33,000.00	\$1,241,625.00	040790206	A524213
ARKANSAS BEST CORP DEL PFD CONV	0.7187	9/1/04 1,100,000.00	\$1,237,500.00	420877AD4	H122K02
HAYNES INTL INC SR NT	11.625	8/25/22 1,206,259.47	\$1,236,042.02	783766NN4	R808T02
RYLAND MTG SECS CORP MTG PARTN		2/15/08 3,100,000.00	\$1,235,000.00	910734AE2	UAAGR02
UNITED INTL HOLDINGS INC	10.75	3/25/08 1,224,902.42	\$1,231,614.89	760944FU7	R299H02
RESIDENTIAL FDG MTG SECS I INC MTG	7.4288	8/1/08 1,219,030.57	\$1,228,002.63	31371D6X0	X3F6Y42
FEDERAL NAT MTG ASSN GTD PASS THRU	6.5	2/1/18 1,128,938.09	\$1,227,855.65	31290K3D9	X1GVD42
FEDERAL HOME LN MTG CORP PARTN CTF	10	10/15/07 4,810,000.00	\$1,227,175.00	749361AD3	RAALU02
RCN CORPORATION DTD 10/17/97	11.125	5/1/02 1,095,000.00	\$1,226,400.00	90263EAB8	U001G02
UCC INVS HLDG INC SR NT	10.5	1/1/19 1,221,835.64	\$1,215,811.99	26190NAH7	D242G02
DREXEL BURNHAM LAMBERT CMO TR		12/15/04 1,100,000.00	\$1,215,500.00	784092AC2	S004G02
S D WARREN CO SR SUB NT SER B	12	6/15/02 2,125,000.00	\$1,215,500.00	89351LAE1	TAAJ202
TRANSAMER ENERGY	11.5	3/25/26 1,214,838.81	\$1,214,765.92	74434UXG4	P585L02
PRUDENTIAL HOME MTG SECS CO	7.05	9/15/21 1,105,285.33	\$1,214,266.46	36225AL65	XHL2442
GOVT NAT MTG ASSN REG POOL #780349	10	4/18/28 1,206,771.62	\$1,209,993.70	31359RY63	FAA0602
FEDERAL NAT MTG ASSN REMIC	6.025	5/1/04 1,046,545.85	\$1,202,795.15	**C021302	C021302
CPC #574 1239 1245 1222 1226 &	11.19	2/15/08 5,050,000.00	\$1,200,000.00	749361AG6	RAARR02
RCN CORP SR DISC NT SER B REG	9.8	7/15/27 1,150,000.00	\$1,198,254.00	845335BX5	SAAH102
SOUTHWESTERN BELL TEL CO DEB DTD	7.375	2/15/27 1,100,000.00	\$1,197,581.00	17303NAA5	C276D02
CITICORP CAPITAL II	8.015	7/1/24 1,167,614.68	\$1,196,886.78	31356HL39	X1GNJ42
FEDERAL HOME LN MTG CORP PC GOLD	7.5	2/15/27 1,100,000.00	\$1,196,657.00	17303PAA0	C271D02
CITICORP CAP I	7.933	10/25/04 1,195,854.96	\$1,196,572.47	78442GAA4	S546Y02
STUDENT LOAN MARKETING ASSOCIATION	5.6378	4/1/08 1,200,000.00	\$1,188,000.00	804396EF2	SABLF02
SAUL B F REAL ESTATE INVT TR SR	9.75	2/1/12 1,150,137.89	\$1,183,813.93	31294JQ43	X1FVT42
FEDERAL HOME LN MTG CORP PC GOLD	7.5	5/1/05 1,200,000.00	\$1,182,000.00	55376WAA7	MAAWA02
MTS INC SR SUB NT 144A REG	9.375	3/1/28 1,087,316.71	\$1,179,086.24	**CAA9302	CAA9302
CPC #1087 57-61 LAFAYETTE AVE	7.64	43,300.00	\$1,174,512.50	130214208	C191603
CALIFORNIA FED PFD CAP CORP	0.5703	4/1/20 1,015,079.27	\$1,174,040.68	**C017R02	C017R02
CPC #420 1130-46 COLGATE AVE BRONX	11.46	2/1/18 1,126,533.71	\$1,173,707.31	**X868W42	X868W42
FHA PROJECT PARTICIPATION CTF SER	7.43	6/1/02 1,150,000.00	\$1,172,482.50	080555AC9	BAAD802
BELO A H CORP SHEL3 REG	6.875	3/15/12 1,250,000.00	\$1,168,750.00	165167AN7	CAAG202
CHESAPEAKE ENERGY CORP SR NT SER B	8.5	12/1/25 1,150,345.69	\$1,167,129.23	31375D3Q4	X3HXZ42
FEDERAL NAT MTG ASSN GTD PASS THRU	7	9/1/26 1,095,958.04	\$1,165,726.73	31379NYJ0	X3I0N42

NYC POLICE DEPT PENSION FUND ASSET LIST

JUNE 30, 1998

CUSP Number	Security Description	Units	Market Value
628852105	NCI BLDG SYS INC COM	18,800.00	1,085,700.00
62886E108	NCR CORP NEW COM	46,500.00	1,511,250.00
640204103	NEIMAN-MARCUS GROUP INC COM	22,564.00	980,135.03
641149109	NETSCAPE COMMUNICATIONS CORP COM	437.00	11,826.53
64120L104	NETSCAPE COMMUNICATIONS CORP COM	35,800.00	1,393,980.40
640938106	NETWORK APPLIANCE INC COM	50,290.50	2,407,657.69
641208103	NETWORK ASSOCIATES INC	28,300.00	443,970.40
641423108	NETWORK EQUIP TECHNOLOGIES	31,400.00	808,550.00
64352U103	NEVADA PWR CO COM.	68,017.00	3,090,556.45
643872104	NEW CENTY ENERGIES INC COM	17,000.00	548,250.00
644001109	NEW ENGLAND BUSINESS SERVICES INC	39,252.00	1,697,649.00
646025106	NEW ENGLAND ELECTRIC SYSTEM COMMON	20,500.00	731,604.00
648059103	NEW JERSEY RESOURCES CORP COM	46,200.00	1,131,900.00
990002AD9	NEW PLAN RLTY TR SH BEN INT	59,220,448.49	59,220,448.49
650111107	NEW YORK CITY RETIREMENT SYSTEMS	57,030.00	4,519,627.50
651192106	NEW YORK TIMES CLASS A COMMON	97,416.00	4,852,583.21
651290108	NEWELL CO COM	17,500.00	435,312.50
651637100	NEWFIELD EXPL CO COM	18,500.00	456,728.00
651639106	NEWMONT GOLD CO COM	93,510.00	2,209,173.75
651718504	NEWMONT MINING CORP COM	90,400.00	1,005,700.00
65333B106	NEWPARK RES INC COM PAR \$0.01 NEW	38,000.00	378,822.00
65332V103	NEXSTAR PHARMACEUTICALS INC COM	66,355.00	1,650,580.63
65333H707	NEXTEL COMMUNICATIONS INC CL A	52,700.00	1,996,012.50
629121104	NEXTLINK COMMUNICATIONS INC CL A	73,500.00	918,750.00
653522102	NGC CORP COM	94,500.00	1,411,641.00
654086107	NIAGARA MOHAWK POWER CORP COM	32,556.00	1,306,309.50
654106103	NICOR INC COM	130,900.00	6,373,259.20
65440D102	NIKE INC CLASS B COM	10,600.00	284,217.80
629140104	NINE WEST GROUP INC COM	76,330.00	2,137,240.00
629156407	NIPSCO INDS INC COM	17,344.00	346,880.00
654894104	NL INDS INC COM NEW	35,800.00	1,360,400.00
655042109	NOBLE AFFILIATES INC COMMON	299,200.00	7,199,649.60
655663102	NOBLE DRILLING CORP COM	11,600.00	545,200.00
655664100	NORDSON CORP COM	33,350.00	2,576,287.50
655844108	NORDSTROM INC	309,515.00	9,227,570.70
659424105	NORFOLK SOUTHERN CORP COM	127,110.00	3,106,314.18
664397106	NORTH FORK BANCORPORATION INC NY	74,500.00	1,261,881.00
665772109	NORTHEAST UTILITIES COMMON	90,336.00	2,585,868.00
665859104	NORTHERN STATES POWER CO MINN COM	85,100.00	6,488,875.00
666807102	NORTHERN TR CORP FORMERLY KNOWN AS	41,634.00	4,293,506.25
667655104	NORTHROP CORP DELAWARE	30,400.00	850,257.60
669380107	NORTHWEST NAT GAS CO COM	578,462.00	21,692,325.00
669930109	NORWEST CORP COM	36,616.00	430,238.00
670006105	NOVACARE INC COM STK	198,800.00	2,534,700.00
670008101	NOVELL INC COM	48,600.00	1,734,436.80
629360306	NOVELLUS SYS INC COM	12,145.00	148,776.25
629407107	NPC INTL INC COM	35,700.00	1,909,950.00
670346105	NTL INC COM	53,800.00	2,474,800.00
670509108	NUCOR CORP COM	31,200.00	1,002,300.00
629430109	NUEVO ENERGY CO COM	6,900.00	175,522.20
62944T105	NUI CORP COM	29,700.00	1,219,571.10
674098108	NVR INC COM	37,318.00	1,119,540.00
674599105	OAKWOOD HOMES CORP COM	211,903.00	5,721,381.00
674812201	OCCIDENTAL PETE CORP COM	194,350.00	3,802,069.05
675232102	OCEAN ENERGY INC COM NEW	34,700.00	615,925.00
675727101	OCEANEERING INTL INC COMMON	8,950.00	179,000.00
675744106	OCTEL CORP COM	26,100.00	848,250.00
67082N109	OCULAR SCIENCES INC COM	3,800.00	24,700.00
670826106	ODS NETWORKS INC COM	31,400.00	502,400.00
676220106	OEA INC COM	97,362.00	3,073,036.81
	OFFICE DEPOT INC COM		

New York City Police Pension Fund- Subchapter 2

Schedule of Administrative Expenses
Year Ended June 30, 1998

<u>Salaries Paid to Plan Personnel</u>	\$ 2,713,240
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Professional Services:

Administration	\$ 285,670	
Trading and Investments	993,956	
Management Division	18,348	
Legal	<u>332,554</u>	
Total Professional Services		1,630,528

Communication and General Services:

Printing and Computer Services	112,096	
Heat, light and telephone	3,872	
Postage	128,788	
General services	<u>39,367</u>	
Total Communication and General services		284,123

Miscellaneous Expenses:

Office of Management and Budget	154,025	
Department of Financial Management	<u>63,663</u>	
Total Miscellaneous Expenses		217,688

Total Administrative Expenses		<u>\$ 4,845,579</u>
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Note: Administrative expenses are defrayed by the City of New York. Investment expenses are paid by the Plan.

NEW YORK CITY POLICE
PENSION FUND - SUBCHAPTER 2

Investment Summary

Year ended June 30, 1998

(in thousands)

TYPE OF INVESTMENT	Investment At Market Value	Investment Income 1998	Plus Accruals 1998	Less Accruals 1997	Less Purchase Expense	Dividend Income	Investment Expense	Miscel. Income (Expense)	Net Appreciation (Depreciation)	Total
Securities purchased under agreements to resell:										
Discount Notes	33,520	1,395	2	(492)						4,152
Commercial Paper	289,514	12,045	21	(492)						35,860
Short Term Investment Fund	431,367	38,030								53,431
Bonds:										
U.S. Government	2,435,424	191,801	29,607	(24,402)	(55,088)		(1,716)	1,069	301,655	2,878,350
Corporate	1,511,940	119,072	18,380	(19,430)	(34,200)		(1,065)	664	187,271	1,782,632
Other: Foreign	226,224	17,816	2,750	(3,495)	(5,117)		(159)	99	28,020	266,138
International Investment Fund & Fixed Income										
Security Lending	1,840,477	4,070							(1,297)	227,964
Equities	8,800,318					124,032	(6,203)		1,090,021	10,008,168
International Fund- Equities	2,326,492						(1,639)		288,163	2,613,016
	17,895,276	384,229	50,760	(47,819)	(94,405)	124,032	(12,079)	1,832	2,216,537	20,518,363

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

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

**ACTUARIAL SECTION
PART IV**

FISCAL YEAR ENDED JUNE 30, 1998



OFFICE OF THE ACTUARY

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

ROBERT C. NORTH, JR.
CHIEF ACTUARY

December 18, 1998

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

Re: Actuarial Information For The Comprehensive Annual Financial
Report ("CAFR") For The Fiscal Year Ended June 30, 1998

Dear Members:

The financial objective of the New York City Police Department, Subchapter Two Pension Fund (the "Plan") is to fund members' retirement benefits during their active service and to establish employer normal contribution rates which, expressed as a percentage of active member annualized covered payroll, will remain approximately level over the future working lifetimes of those active members.

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

Actuarial Assumptions And Methods In Effect June 30, 1997

Provided in this Actuarial Section of the CAFR is a "Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1997." These actuarial assumptions and methods were employed in the June 30, 1997 actuarial valuation that was used to determine Fiscal Year 1998 employer contributions to the Plan.

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
December 18, 1998
Page 2

These actuarial assumptions and methods are the same as those employed in the June 30, 1996 actuarial valuation that was used to determine Fiscal Year 1997 employer contributions to the Plan.

The modification in the Actuarial Asset Valuation Method ("AAVM") as of June 30, 1996 first impacted Fiscal Year 1998 employer contributions.

Benefits And Census Data

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

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

A summary of the census data as of June 30, 1997 is included in this CAFR. A summary of the census data used in the June 30, 1996 actuarial valuation of the Plan is available in the June 30, 1997 CAFR.

Funded Status

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

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
December 18, 1998
Page 3

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

Presentation Style And Sources Of Information

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

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

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

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

- Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1997.
- Schedule Of Active Member Valuation Data.
- Schedule Of Retirants And Beneficiaries Added To And Removed From Rolls.

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
December 18, 1998
Page 4

- Schedule Of Actual vs. Required Contributions.
- Comparative Summary Of Actuarial Values And Percentages Covered By Net Assets On Market Value Basis Held In Trust For Pension Benefits - Solvency Test.

Respectfully Submitted,



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

RCN:aw

cc: Inspector J.F. Maccone

0393R:PCA/aw

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997

- (1) The assumed investment return rate is 8.75% per annum.
- (2) The mortality tables for service and disability pensioners were developed from an experience study of the Plan's and the predecessor Plan's pensioners. Sample probabilities are shown in Table 1.
- (3) Active Service tables are used to predict various withdrawals from active service. Sample probabilities are shown in Table 2 for members eligible for Service Retirement and in Table 3 for members not eligible for Service Retirement.
- (4) A Salary Scale is used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The Salary Scale includes an assumed General Wage Increase rate of 4.0% per annum.
- (5) The economic assumptions (i.e., the assumed investment return rate and the General Wage Increase rate) were developed assuming a long-term Consumer Price Inflation assumption of 3.5% per year.
- (6) The valuation method assumes a closed group. Salaries of members on the valuation date are assumed to increase in accordance with the Salary Scale.
- (7) The Frozen Entry Age Actuarial Cost Method is utilized by the Plan's Actuary to calculate the contributions from the employer.

Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the Actuarial Value of Assets plus the Unfunded Actuarial Accrued Liability ("UAAL"), is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997
(Continued)

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

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

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

Another UAAL was established under Chapter 119 of the Laws of 1995 ("Chapter 119/95"). This UAAL is being amortized on a level basis over a period of 10 years.

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997
(Continued)

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

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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997

(Continued)

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

- (10) Distinct male and female probabilities for mortality are used effective June 30, 1995.
- (11) A dual overtime assumption (i.e., a baseline overtime assumption for most years and a separate overtime assumption for the years included in the calculation of Final Average Salary) has been introduced as of June 30, 1995. Baseline overtime of 6% is assumed together with overtime assumptions used in Final Average Salary of:
- 12% for Tier I Service Retirements
 - 9% for Tier II Service Retirements
 - 2% for Tier I Disability Retirements
 - 4% for Tier II Disability Retirements
 - 6% for all other benefits.
- (12) The salary data as of June 30, 1997 presented herein was adjusted to reflect overtime earnings by an assumed baseline overtime rate of 6%.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997
(Continued)

Table 1

Deaths Among Service And Disability Pensioners

Percentage Of Pensioners Dying Within Next Year

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

Table 2

Retirements And Deaths After Eligibility For Service Benefits

Percentage Of Eligible Active Members Retiring
Or Dying Within Next Year

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 1997
(Continued)

Table 3

Withdrawals From Active Service Before Eligibility For Service Benefits

Percentage Of Active Members Separating Within Next Year

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

Table 4

Salary Scale

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>VALUATION DATE</u>	<u>NUMBER</u>	<u>ANNUAL PAYROLL*</u>	<u>ANNUAL AVERAGE PAY</u>	<u>PERCENTAGE INCREASE (DECREASE) IN AVERAGE PAY</u>
6-30-92	27,249	\$1,332,598,223	\$48,904	2.7%
6-30-93	28,166	1,379,927,841	48,993	0.2
6-30-94	31,059	1,478,485,171	47,602	(2.8)
6-30-95	36,204	1,844,884,786	50,958	7.1
6-30-96	36,778	1,919,993,340	52,205	2.4
6-30-97	38,217	2,036,450,133	53,286	2.1

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

YEAR ENDED	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
	NUMBER	ANNUAL ALLOWANCES	NUMBER	ANNUAL ALLOWANCES	NUMBER	ANNUAL ALLOWANCES		
6-30-92	885	\$44,507,805	472	\$ 8,942,984	29,970	\$595,573,013	6.4	\$19,872
6-30-93	998	45,172,785	626	12,439,872	30,342	628,305,926	5.5	20,707
6-30-94*	1,219	42,247,397	523	8,962,640	30,974	647,103,008	5.4	20,892
6-30-95	1,009	43,191,422	528	8,946,990	31,455	681,347,440	5.3	21,661
6-30-96**	4,875	64,254,160	895	10,156,142	35,435	735,445,458	7.9	20,755
6-30-97	853	66,419,315	1,008	12,070,279	35,280	789,794,494	7.4	22,386

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTUAL VS. REQUIRED CONTRIBUTIONS

(in thousands)

<u>FISCAL YEAR ENDED</u>	<u>ACTUAL EMPLOYER CONTRIBUTION*</u>	<u>REQUIRED EMPLOYER CONTRIBUTION</u>	<u>EMPLOYER RATE OF CONTRIBUTION**</u>
6-30-93	\$462,098	\$462,098	34.676%
6-30-94	418,113 ⁽¹⁾	418,113	30.300%
6-30-95	418,983 ⁽²⁾	418,983	28.339%
6-30-96	562,360 ⁽³⁾	562,360	30.482%
6-30-97	539,844 ⁽⁴⁾	539,844	28.117%
6-30-98	544,199 ⁽⁵⁾	544,199	26.723%

* Represents total employer contributions accrued for fiscal year.

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

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

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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED BY NET ASSETS ON MARKET VALUE BASIS HELD IN TRUST FOR PENSION BENEFITS

SOLVENCY TEST
(in thousands)

AS OF JUNE 30	PENSION BENEFIT OBLIGATION ("PBO") FOR				PERCENTAGE OF ACTUARIAL VALUES COVERED BY NET ASSETS ON MARKET VALUE BASIS** HELD IN TRUST FOR PENSION BENEFITS		
	ACCUMULATED EMPLOYEE CONTRIBUTIONS (A)	CURRENT RETIRACTS AND BENEFICIARIES (B)	ACTIVE MEMBERS' EMPLOYER FINANCED PORTION (C)	NET ASSETS ON MARKET VALUE BASIS** HELD IN TRUST FOR PENSION BENEFITS (D)	(A)	(B)	(C)
1992	\$384,956	\$5,327,135	\$3,102,689	\$7,775,165	100%	100%	67%
1993	404,412	5,539,581	3,241,184	8,477,629	100	100	78
1994	484,306	5,832,456	3,341,541	8,603,058	100	100	68
1995	603,172	6,466,108	3,881,408	10,098,450	100	100	78
1996*	687,266	6,845,419	3,875,443	10,980,324	100	100	89
1997	766,395	7,021,580	4,145,516	13,463,933	100	100	100

* Revised economic and non-economic assumptions due to experience review.

** Prior to June 30, 1995, the fixed income securities were valued on an amortized value.

Also, see following "SOLVENCY TEST - NOTES".

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES
COVERED BY NET ASSETS ON MARKET VALUE BASIS
HELD IN TRUST FOR PENSION BENEFITS

SOLVENCY TEST - NOTES

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

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

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

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

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

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

Valuation Date <u>June 30</u>	Assumed Annual Rate Of Return <u>On Investments</u>	Merit And Promotion Increases Plus An Assumed General Wage <u>Increase Per Year Of</u>
1992	8.50%	5.5%
1993	8.50	5.5
1994	8.50	5.5
1995	8.50	4.0
1996	8.75	4.0
1997	8.75	4.0

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF PLAN PROVISIONS IN EFFECT AS OF JUNE 30, 1997

DEFINITIONS

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

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

BENEFITS

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

I. SERVICE RETIREMENT

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (i) for a member who joined prior to July 1, 1973, $1/60$ of average salary for the period of service after the completion of his minimum required service for each year of such service; for a member who joined after June 30, 1973, $1/60$ of average salary for the period of service after the completion of his minimum required service but for not more than the last ten years of such service, and

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

II. ORDINARY DISABILITY RETIREMENT

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

III. ACCIDENT DISABILITY RETIREMENT

Upon the occurrence of disability caused by an accident in the actual performance of duty, a member is granted a retirement allowance. The allowance consists of a pension equal to three-fourths of his final salary and, if he is eligible for service retirement, an additional increment of 1/60 of average salary from date of eligibility for service retirement to date of retirement for each year of service after the completion of the required minimum for a member who joined before July 1, 1973, and for each of the years of service not exceeding 10 years after the completion of the required minimum for a member who joined after June 30, 1973. An additional pension is paid which is the actuarial equivalent of the reserve for ITHP, as well as an annuity which is the amount which can be purchased with the member's accumulated deductions.

IV. ORDINARY DEATH BENEFIT

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

V. ACCIDENTAL DEATH BENEFIT

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

The accidental death benefit is a lump sum payment of the reserve for ITHP and a pension equal to one-half of the average salary in the five years immediately preceding death but not less than one-half the full salary of a first grade patrolman, payable to the widow for life, or if there is no widow, to a child, or children until the attainment of age 18 or age 23 if a full-time student, or if there is no widow or child, to the dependent parents. In addition, the member's accumulated deductions and ITHP reserve are paid to his/her estate or designated beneficiary.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

VI. TERMINATION OF EMPLOYMENT

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

VII. DEPENDENT BENEFIT

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

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

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

The Supplemental Retirement Allowance is payable during the life of the retired member. One half of the amount is also payable after the member's death and during the life of the spouse beneficiary if such retired member had elected one of the options under the Administrative Code which provides that benefits are to be continued for the life of such spouse after the death of the retired member, and where the death of such retired member occurred or occurs more than thirty days after the effective date of the retirement of such member.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

IX. OPTIONS ON RETIREMENT

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (b) With respect to members who join or joined after June 30, 1973, a five-year or ten-year certain and life thereafter allowance under which reduced payments will be made for the life of the member with a provision that, in case of death within the guarantee period, the benefit that would have been payable had the member survived shall continue to the designated beneficiary or estate for the balance of the guarantee period.
- (c) A joint and survivor allowance under which reduced payments will be made for the life of the member with a provision that at the death of the member the same payments or one-half of such payments shall be continued for the life of such other person as the member shall have designated.
- (d) Such other form of benefit which is the actuarial equivalent of the basic benefit as may be certified by the actuary and approved by the Board of Trustees. By resolution, the Board of Trustees has approved an option under which reduced payments will be made for the life of the member with a provision that upon his death, a sum specified by the member at the time of retirement shall be paid to his designated beneficiary or estate.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

CONTRIBUTIONS

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

I. MEMBER CONTRIBUTIONS

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

II. EMPLOYER CONTRIBUTIONS

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

Employer contributions, including the amount to fund the employer contribution receivable-long-term, are accrued by the Plan and are funded by the employer on a current basis and amounted to \$544,198,535 for the Fiscal Year ended June 30, 1998.

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

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

**STATISTICAL SECTION
PART V**

FISCAL YEAR ENDED JUNE 30, 1998

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

DATE	SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS	
	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE	NUMBER	AVERAGE ANNUAL ALLOWANCE
6-30-92	17,394	\$16,998	4,257	\$20,226	7,868	\$26,596
6-30-93	17,390	17,672	4,282	21,045	8,178	27,582
6-30-94*	17,866	17,942	4,211	21,084	8,375	27,705
6-30-95	18,119	18,672	4,168	21,505	8,623	28,675
6-30-96**	19,011	19,148	4,200	21,696	8,969	29,559
6-30-97	18,929	20,832	4,178	22,833	9,175	31,050

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

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

New York City Police Pension Fund - Subchapter 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE
(In Thousands)

BENEFIT PAYMENTS

Fiscal Year	Service & Disability Retirement	Ordinary Death in Service	Payments for Death After Retirement	Line of Duty Deaths	Total
06/30/89	473,331	9,707	2,322	2,328	490,688
06/30/90	515,693	8,282	2,070	2,458	528,503
06/30/91	556,232	15,500	2,481	2,690	576,903
06/30/92	589,091	5,544	3,003	2,785	600,423
06/30/93	608,515	2,962	4,008	2,818	618,303
06/30/94	645,751	3,774	2,905	3,116	655,546
06/30/95	675,120	6,203	2,070	4,828	688,221
06/30/96	729,956	9,503	3,528	459	743,446
06/30/97	777,973	8,313	992	3,650	790,928
06/30/98	827,670	5,901	1,319	3,913	838,803

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 1997

SERVICE RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	0	\$ 0	0	\$ 0
30 to 34	0	0	0	0
35 to 39	1	26,520	0	0
40 to 44	48	27,128	1	28,817
45 to 49	1366	29,041	26	31,298
50 to 54	3060	26,687	69	28,090
55 to 59	3722	24,055	61	27,085
60 to 64	2471	20,454	35	25,430
65 to 69	2405	17,201	31	16,208
70 to 74	2267	15,104	38	13,171
75 to 79	1876	14,364	22	12,985
80 to 84	809	15,162	12	14,867
85 to 89	373	16,706	3	13,826
90 & up	233	15,937	0	0

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
 JUNE 30, 1997

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	1	\$11,880	0	\$0
30 to 34	30	16,283	18	15,135
35 to 39	79	18,111	33	18,721
40 to 44	70	18,625	41	19,563
45 to 49	237	13,908	21	17,415
50 to 54	533	13,389	18	14,405
55 to 59	562	15,512	9	13,671
60 to 64	413	26,081	22	13,903
65 to 69	704	32,423	6	28,398
70 to 74	722	28,294	17	21,470
75 to 79	437	25,746	14	19,220
80 to 84	160	23,104	1	30,814
85 to 89	23	16,198	0	0
90 & up	7	11,643	0	0

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 1997

ACCIDENT DISABILITY RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	26	\$28,179	3	\$25,815
30 to 34	318	35,979	67	34,880
35 to 39	734	36,874	119	34,598
40 to 44	465	36,582	69	33,739
45 to 49	1033	31,399	34	28,418
50 to 54	1866	29,545	44	30,275
55 to 59	1569	29,708	24	32,260
60 to 64	842	31,337	10	31,244
65 to 69	785	32,154	6	28,080
70 to 74	645	27,864	8	29,733
75 to 79	362	24,883	1	16,897
80 to 84	100	22,539	2	24,607
85 to 89	27	21,436	0	0
90 & up	16	18,857	0	0

New York City Police Pension Fund- Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1997

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

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
UNDER 30	1	\$13,586	3	\$14,305
30 to 34	0	0	5	14,871
35 to 39	1	13,320	7	20,149
40 to 44	1	18,600	5	19,988
45 to 49	0	0	5	19,342
50 to 54	1	11,782	16	21,045
55 to 59	0	0	15	14,850
60 to 64	0	0	32	12,163
65 to 69	0	0	67	10,109
70 to 74	0	0	127	7,928
75 to 79	0	0	258	5,055
80 to 84	0	0	541	3,592
85 to 89	0	0	855	3,238
90 & up	0	0	763	3,200

New York City Police Pension Fund - Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT JUNE 30, 1997

BENEFICIARIES OF PENSIONERS KILLED IN ACTUAL PERFORMANCE OF DUTY

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
UNDER 30	1	\$9,853	6	\$24,373
30 to 34	0	0	5	21,195
35 to 39	0	0	11	23,119
40 to 44	0	0	10	23,112
45 to 49	0	0	36	14,632
50 to 54	0	0	45	12,984
55 to 59	1	23,528	48	12,996
60 to 64	2	21,547	29	8,861
65 to 69	0	0	41	8,625
70 to 74	1	22,227	28	7,500
75 to 79	0	0	16	6,100
80 to 84	0	0	9	6,045
85 to 89	0	0	5	5,236
90 & up	0	0	1	5,132

New York Police Department Pension Fund - Subchapter 2

Expense by Type (Unaudited)

(in Thousands)

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

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

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

New York City Police Pension Fund - Subchapter 2

Revenue by Source (Unaudited)

(In Thousands)

Fiscal Year Ended 6/30	Net Member Contributions	Employer Contributions	Net Investment Income	Other	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1992	15,226	421,332	846,599	-	1,283,147	31.6
1993	(3,647)	448,767	990,092	-	1,435,212	32.5
1994	53,295	414,445	315,235	-	782,975	28.0
1995	57,697	414,928	1,440,440	-	1,913,065	22.5
1996	43,791	554,961	1,394,090	-	1,992,842	30.1
1997	31,954	529,777	2,691,569	-	3,253,300	27.6
1998	36,945	531,657	2,623,086	-	3,191,688	26.1