

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, 2001
New York, New York

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

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Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2001
New York, New York**

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR THE
FISCAL YEAR ENDED JUNE 30, 2001**

**Prepared By: Accounting Unit under the direction of:
Inspector Michael Welsome- Commanding Officer
New York City Police Pension Fund- Subchapter Two**

Actuary

ROBERT C. NORTH JR. Chief Actuary

Custodian of the Fund

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

Headquarters Address

One Police Plaza, New York, New York 10038

Board of Trustees

- Hon. RUDOLPH GIULIANI, Mayor**
- Hon. BERNARD B. KERIK, Police Commissioner, Chairman**
- Hon. ALAN G. HEVESI, Comptroller, Treasurer**
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- P.O. MUBARAK ABDUL-JABBAR, Board of Trustees, Patrolmen's Benevolent Association**

- Capt. JOHN DRISCOLL, President of the Captains' Endowment Association**
- Lt. ANTHONY GARVEY, President of the Lieutenants' Benevolent Association**
- Sgt. BERNARD B. POUND, President of the Sergeants' Benevolent Association**
- Det. THOMAS SCOTTO, President of the Detectives' Endowment Association**

**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, 2001

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, 2000

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.



Joseph D. Crews
President

Jeffrey L. Ewell
Executive Director



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

December 15, 2001

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

The Comprehensive Annual Financial Report, Police Pension Fund Subchapter 2 (the Plan) a Pension Trust Fund of the City of New York for the fiscal year ended June 30, 2001, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the fund. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operation of the Retirement System. All disclosures necessary to enable the reader to gain an understanding of the Pension System's Financial Activities have been included.

Our independent auditors, KPMG-LLP 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.

GASB Statement No. 34 has been implemented this year.

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, Teacher's 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.

COURTESY • PROFESSIONALISM • RESPECT

Background of the Fund

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

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

Economic Condition and Outlook

A slowdown in growth started in the second part of the 2000 and become more severe in the last part of 2001. The growth rate of the nation, as measured by the change in real gross domestic product (GDP), started slowing in the later part of 2000, when GDP grew only 1.3 percent, compared with a strong 5.7 percent showing in the previous quarter. GDP continued to grow slowly in the last part of 2000, at a rate of 1.9 percent and again in the first part of 2001, by 1.3 percent. By the middle of 2001 the growth rate had fallen to annualized rate of 0.3 percent, the slowest pace since a decline of 0.1 percent in the first part of 1993. The economy had become weak several months before the terrorist attack on the World Trade Center. Although jobs were down, the September decline was the largest since 1991. The unemployment rate during August and September was 4.9 percent, it was the highest since September 1997. The full impact of the World Trade Center attack may not be fully felt for months to come. On October 2, the Federal Reserve cut the Federal Funds rate and discount rate, each by 50 basic points, for the ninth time in 2001. This was done to boost the eroding confidence of investors, business and consumers. More monetary easing is likely given the strong decline in consumer spending, private investment and inflation. The Federal Funds rate is 2.5 percent, it seems likely that there will be further reductions in interest rates. Although a decline of economic growth is expected for the rest of 2001, recovery is anticipated by the middle of 2002. The city's economy showed signs of slowdown before the September 11 attack. Government, private sector and seasonal jobs all declined. The city's unemployment rate jumped from 5.0 percent in July to 5.8 percent in August. This is the highest rate in the last two years. It is anticipated that by the end of 2002, the city's economy is expected to show strong growth as a result of a national recovery and strong city efforts for reconstruction. The major concerns of the city's economy are the loss of jobs from businesses that were in Manhattan and will choose to relocate outside of the city, the cost of demolition and cleanup, financial costs for rebuilding and increased security costs in offices, buildings and airports.

Major Initiatives for the Year

Fiscal year 2001 was a difficult year for the Pension Fund and for the City. Investments in assets that are expected to produce higher rates of return are also subject to greater volatility, where differences from average returns may also produce negative returns. That was the case in fiscal year 2001, which has been a difficult one for investors. Investments in stock markets within and outside the United States have generally lost value. As a result of the slowdown of the national as well as the international economy, our investment portfolio did not perform to desired expectation. Less developed international markets lost even more. Bonds were the brightest in

the broad investment area. Our above-average allocation to stocks has also meant that in the short-run our pension fund return has been lower than many public funds. Our investment costs remain lower than those of other large public funds. The markets continue to be difficult during the first part of fiscal year 2002 due to the terrorist attack on the World Trade Center. The Russell 3000 Index lost 15.6% during the September and the EAFE international index lost 14.3%. The New York City bond gained 4.8%. We restructured our Fixed Income portfolio and hired new investment managers which should have a positive effect on investment returns. The city's main pension funds all invested an additional \$800 million in equity, of which Police invested \$275 million. The vicious attack on the World Trade Center cannot be measured in dollars and cents and the severe blow to our economy but it was a devastating loss to human life. The terrorists destroyed the twin towers, but we refused to let them destroy our city or our economy. Thousands rushed in to save those who had not escaped the attacks. Firefighters, Police Officers, Construction workers, Medical personnel worked around the clock tirelessly to save human life. The attacks on the World Trade Center will likely cost the city economy between \$90 billion and \$105 billion by the end of fiscal year 2003. We all will work very hard and do what it will take to ensure that the terrorist don't succeed in destroying not just the twin towers, but also Americans and the World's Financial Capital. Americans are smart and tough. We will recover from this attack. Our economy will recover. We are the greatest and most powerful Nation in the world.

Chapter 292 of the Laws of 2001 provides Corpus Funding of administrative expenses for the Police Pension Fund commencing July 1, 2001.

Thanks to the efforts of our members, crime continues to decline and the quality of life in our city is constantly improving. Providing safer and better schools with higher academic standards and performance are a priority for New York City. Providing the best service and a maximum rate of return to the members of the Pension System will always be our primary objective.

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 is 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 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 Retirement's 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 Stock as well as short-term Investments as to minimize risks and maintain a high competitive return. Fiscal Year 2001 was not a good year for financial markets. The Pension Funds continued to diversify assets among different types of securities. The security lending program has been profitable for the plan bringing in additional income and has continued to diversify assets. The Police Pension Fund continues to spend less for investment and management fees than most other retirement systems. We continue to increase investments in international stocks and investments in private

equity. This diversification has increased investment results and provided greater security for the assets of the retirement system. By increasing the investment returns, the pension plan thus remains more secure. In addition the City's budget appropriation to the Pension System can be reduced, saving the taxpayers millions of dollars. During fiscal year 2001 the pension system has continued to evaluate the comprehensive risk measurement system, which will provide additional data concerning the composition and performance of the investments held by the pension system advisors. This will enable us to measure the risks and results generated by the advisors so that better judgments can be made for evaluation purposes.

The following table reflects increases and decreases in revenues and expenses for fiscal years 2001 and 2000 respectively. Amounts are in thousands.

Description	In Thousands-Dollars		Net Increase Decrease
	Amount 2001	Amount 2000	
Member Contributions	\$37,862	\$40,761	(7.11%)
Employer Contributions	413,156	250,021	65.25%
Total Contributions	451,018	290,782	55.11%
Interest Income	385,138	339,092	13.58%
Security Lending	111,101	117,602	(5.53%)
Dividend Income	108,317	118,501	(8.59%)
Net Appreciation in Fair Value of investments	(1,951,395)	1,096,156	(278.02%)
Investment Expenses	22,013	22,398	(1.72%)
Security Lending Fees	105,104	111,108	(5.40%)
Net Investment Income (Loss)	(1,473,957)	1,537,845	(195.85%)
Benefit Payments & Withdrawals	1,031,163	896,329	15.04%
Payments to other funds-Net	5,983	3,355	78.33%

As a result net assets available for pension benefits decreased from 17,813,417,977 in Fiscal year 2000 to 15,765,300,263 in fiscal year 2001, reflecting a reduction of 11.5%.

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

The following are consultants for the various types of investments.

FIXED INCOME ADVISORS

Government

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

Mortgage

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

Corporate

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

U.S Equity

- FDG Capital Partners
- Equinox Capital
- Smith Barney Assets Mgmt
- American Express
- Fidelity
- Growth Advisors
- Deutsche Bank
- VS & A Fund Management Corp
- Merrill Lynch
- Loomis Sayles &Co.
- FDG Capital Partners
- SCP Private Equity
- Lincolnshire PVT. Equity

International Equity

- Barclays Global
- Genesis Asset Managers
- GE Investment
- Bank of Ireland
- Capital Guardian
- Schudder Kemper
- Invista
- Oechsle
- Putnam
- T. Rowe Price Fleming
- Delaware
- Schroder Capital
- Pictet
- Carlye Partners
- Cypress Merchant Bank

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 to insure 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 19 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 reflect continued economic stability.

Present conditions in New York City have witnessed an improving school system, the number of people on welfare roll is reduced sharply, the crime rate is down and the quality of life is 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 portion of the benefits derived from City contributions (not exceeding \$50,000) shall be paid as insurance from The Group Life Insurance Fund.

Other Information

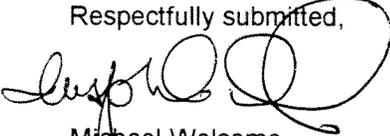
The Government Finance Officers Association of the United States and Canada (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Subchapter 2 for its Financial Report for the fiscal years ended June 30, 1986 through June 30, 2000. In 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. This certificate, if awarded, would be the fifteenth consecutive award, a record of which we are quite proud.

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, for determining compliance with legal provisions, and as a means of indicating stewardship of the assets 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 operations 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. Their efforts, which have continued to be of primary importance in preparation of all accounting and statistical data for this report, are truly deserving of my admiration and my gratitude.

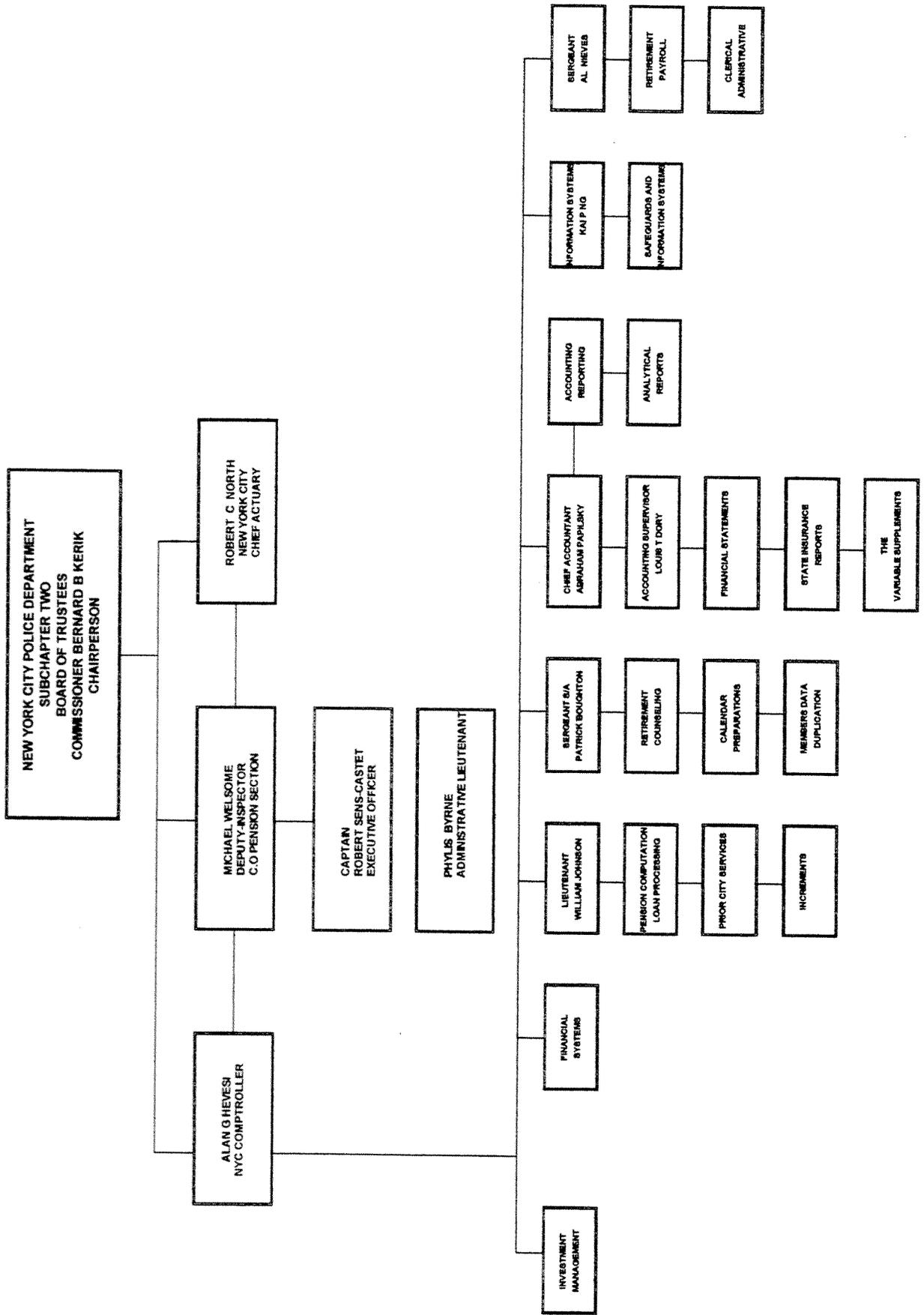
In closing, without the leadership and support of the Board of Trustees, preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Welsome", with a large, stylized flourish at the end.

Michael Welsome
Inspector
Commanding Officer
Pension Section

MW: AP: KT



**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, 2001



345 Park Avenue
New York, NY 10154

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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, 2001 and 2000, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2(g) to the basic financial statements, in fiscal year 2001, the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus" and GASB Statement No. 38 "Certain Financial Statement Disclosures."

Management's Discussion and Analysis and the information on Schedules 1 through 3 are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information as prescribed by professional standards, which consisted 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 supplementary information included on Schedules 4 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements as a whole.

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

KPMG LLP

October 30, 2001

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

Management's Discussion and Analysis

June 30, 2001 and 2000

The discussion and analysis of the New York City Police Department Subchapter Two Pension Fund (Plan or Police), financial performance provides an overall review of financial activities for year ended June 30, 2001.

GASB Statement No. 34 has been implemented this year. The Plan has shown comparisons to prior year data for all essential financial information.

This discussion and analysis is intended to serve as an introduction to the New York City Police Department Pension Fund's basic financial statements, i.e., the Statement of Plan Net Assets, the Statement of Changes in Plan Net Assets, and notes to the financial statements.

The financial statements report information about the Plan using the accrual basis of accounting. However, accounting principles on the basis of GASB Statement No. 25 are used to address measurement and reporting for defined benefit pension plans and disclosure requirements for all state and local governmental entities, and may supersede accounting methods as utilized in private sector pension accounting.

The financial statements are those of a defined benefit pension plan of a local government entity engaged only in the activity of providing pension benefits at a future date or after a certain period of time, as follows:

- A Statement of Plan Net Assets presents the financial position of the Plan providing information about the nature and amount of resources and obligations at year end on an historical cost, accrual basis, other than investments which are shown at their fair market value.
- The Statement of Changes in Plan Net Assets presents the results of the activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. In that regard, the realized gain or loss to bring investments to their fair market value is recorded within this statement and is, therefore, accounted for in the overall annual change.
- The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.
- The financial statements were prepared by the Plan's staff from its detailed books and records of the System.
- Other supplemental information (See Page 22) is included under the requirements of GASB Statement No. 25.

Financial Highlights

- The Police Department Subchapter Two Pension Fund's total assets exceeded its liabilities by \$15,765 million.
- The Plan Net Assets held in trust for pension benefits decreased by \$2,048 million or 11.5% compared to Fiscal Year 2000.
- Benefit payments totaled \$1,031 million, an increase of 15.04% over Fiscal Year 2000.

(Continued)

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

Management's Discussion and Analysis

June 30, 2001 and 2000

- Total contributions totaled \$451 million, for an increase of 55.1% compared to Fiscal Year 2000.

Financial Analysis

The Statement of Plan Net Assets for Fiscal Year 2001 showed total assets exceeding total liabilities by \$15,765 million. This amount represents total plan net assets held in trust for pension benefits. This amount is available to cover the Plan's obligation to pay benefits to its members and their dependents, both currently and in the future. Compared with the previous Fiscal Year, plan net assets held in trust for pension benefits decreased by \$2,048 million or 11.5%. The change in net assets is driven by the decrease in assets that the Plan owns exceeding the decrease in liabilities being owed.

The major classes of assets are made up of investments, money due but not yet received at year end for investments sold, and collateral held for securities lending. The decrease of total assets was due to a combination of all three classes of assets decreasing over the year. The change in investments was a result of a slowdown of national, as well as international, economies. This resulted in the investments not performing to desired expectations. The Plan's investment portfolio decreased by 10.2%. The securities lending and money due for investments sold also decreased by 4.4% and 70%, respectively mainly due to timing.

The Plan's outstanding liabilities of \$3,278 million decreased by 24.7% compared to Fiscal Year 2000. Total liabilities comprise liabilities on account of outstanding securities lending transactions of 60.7%, accrued benefits payable of 0.2%, payable for investment securities purchased of 36.6%, and accounts payable of 2.5%. The decrease was caused by securities lending transactions decreasing by 4.4% and the payable for securities purchased decreasing by 41.0% caused by the slowing economy as mentioned above. The liabilities also were affected by an elimination of the employer deferred contribution, as a result of the City's liability relating to this receivable no longer being funded separately as part of actuarially determined pension contributions.

Additions to Plan Assets

The overall activities of the Plan shown in the Statement of Changes in Plan Net Assets are reflected in the difference between total additions and total deductions resulting in a net decrease of \$2,048 million for Fiscal Year 2001. The following items represents this difference, total Contributions are \$451 million, total Investment loss is \$1,347 million, Investment Expenses of \$127 million, Payments from Other Funds of \$6 million, and Benefit Payments of \$1,031 million.

Fiscal Year 2001 employer contributions included \$189 million that were prepaid in Fiscal Year 2000, totaled \$413 million. This was an increase of \$163 million or 65.2% greater than Fiscal Year 2000. As the employer contribution is based upon the Actuary's calculation, which is discussed in the funding section, any increases to employer contribution has to be caused by events or facts that have an effect on the calculation, which is simplistically stated is a balancing of all current and expected cash payments against all current and expected cash receipts. The increase in the employer contribution was caused by a combination of two factors that caused the Actuary to calculate a higher employer contribution. The primary factor is a legislative change that would give cost-of-living adjustments to retirees, which will mean an increase to expected cash payments. Finally, there were other legislative changes that increased the Increase Take Home Pay (ITHP) percentage and revised the definition of salary base to be used in the computation of certain benefits for Tier II members. The ITHP is an additional amount paid by the City of New York to the Plan on behalf of the members.

(Continued)

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

Management's Discussion and Analysis

June 30, 2001 and 2000

Member contributions net of loans in the amount of \$38 million, decreased \$2.9 million or 7.1% compared to last year's contributions. The decrease was caused by a combination of several factors. The first is that there was an increase in the number of separations from the Police Retirement System, as well as an increase in the number of individuals who retired. While the total number of police officers covered by the retirement plan increased slightly. This increase was surpassed by the fact that the new officers who replaced the retired and separated police officers had significantly lower salaries. This normally would have been offset by a pay increase, but as of year end there were still ongoing negotiations between the Police Department and with the police officers over salary. The other factor that is driving the member contribution number down is the offsetting of loans against member contributions. The member loans amounting to \$164 million and \$142 million, for the years ended June 30, 2001 and 2000, respectively, being disbursed are greater than the amount that is being recouped. This is causing the member contribution number to seem smaller when the current year number is compared with the prior year number.

Net investment income decreased by 195.8% due to the worsening of economic conditions which led to poor investment portfolio performance. This decrease occurred as a result of the slowdown in the economy and its negative effect on the investment markets.

The table below shows the Schedule of Revenues by Source:

**New York Police Department Subchapter 2 Pension Fund -
Revenues by Source
(In thousands)**

<u>Fiscal year ended June 30</u>	<u>Net member contributions</u>	<u>Employer contributions</u>	<u>Net investment income (loss)</u>	<u>Other</u>	<u>Total</u>	<u>Employer contributions as percentage of annual covered payroll</u>
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
1999	43,091	486,780	1,868,386	—	2,398,257	23.3
2000	40,761	250,021	1,537,845	3,355	1,831,982	10.7
2001	37,862	413,156	(1,473,956)	5,983	(1,016,955)	16.8

Funding

Retirement benefits are financed primarily through accumulations from Employer and Employee contributions and income earned on Investments held by the Pension Funds.

(Continued)

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

Management's Discussion and Analysis

June 30, 2001 and 2000

Employer Contributions

The Employer is required to contribute the amounts calculated on a statutory basis, based on actuarial valuations determined annually as of June 30. The Board of Trustees of the Pension Plan adopts changes to the actuarial assumptions and methods that require Board approval. The New York State Legislature and the Governor enacted Chapter 85 of the Laws of 2000 (Chapter 85/00) to provide for those changes to the actuarial assumptions and methods that require Legislation, including the investment rate of return assumption of 8.0% per annum. Please note that the actuarial assumptions used in Fiscal Years 2000 and 2001 were the same. For Fiscal Year ending June 30, 2001 and 2000, the capitalized Initial Liability Actuarial Cost Method was used in the calculations of employer contributions to the fund. Actuarial assets are valued using a five-year moving average of market value. Postretirement mortality tables are based on recent experience. Active service, withdrawal, death, and disability tables are based on recent experience. Economic assumptions were developed assuming a long-term consumer price inflation assumption of 2.5%.

Employer contributions for Fiscal Year 2000 were equal to the Actuary's recommendations. Actual employer contributions for Fiscal Year 2001 were equal to the amounts calculated by the Actuary in accordance with chapter 125/00 (provides eligible retirees with permanent cost-of-living adjustments). These contributions were less than the annual required contributions computed in accordance with Statement No. 25 of the GASB, due to the phase-in schedule for funding provided by Chapter 125/00.

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 is based upon age and actuarial tables in effect at the time of membership. For age at membership equal to 20, the normal rate ranges between 7.9% and 8.2%, for age 30, the normal rate ranges between 4.7% and 4.85%. Members may voluntarily increase their rates of contributions by 50% for the purchasing of additional annuity. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. Members accrue 8.25% interest on their respective annuity saving fund account.

Deductions of Plan Assets

Deductions from the Plan consist mainly of benefit payments to members and their beneficiaries. All administrative and investment expenses are paid by the City of New York. For Fiscal Year 2001, deductions totaled \$1,031 million which is an increase in benefits payment of 15% this year over last year's payment amount of \$896.3 million. This year's increase was due to the fact that additional benefits provided under Chapter 125 of the Laws of 2000, gave an automatic cost-of-living adjustment (COLA) to retirees.

(Continued)

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

Management's Discussion and Analysis

June 30, 2001 and 2000

The table below shows the Schedule of Expense by Type:

**New York Police Department Pension Fund-Subchapter 2
Expense by Type
(In thousands)**

Fiscal year ended June 30	Benefit payments	Refunds	Total	Employer contributions as percentage of annual covered payroll
1997	\$ 790,230	698	790,928	27.6%
1998	837,802	1,001	838,803	26.1
1999	889,961	627	890,588	23.3
2000	895,853	476	896,329*	10.7
2001	1,030,239	924	1,031,163	16.8

* Number does not include Balance Sheet liability write-off of \$454,023.

Plan Benefits

All uniformed employees of the service are required to become members of the Plan upon employment. The Plan Fund provides pension benefits for all uniformed employees of the Police Department. The Plan functions in accordance with New York State Statutes and City Laws.

Investment income, employer, and employee contributions provide for the payment of all benefits made by the Plan. The Plan provides several main types of retirement benefits: service retirements, ordinary disability retirements (non-job-related disabilities), and accident disability retirements (job related disabilities). Members may elect to vest their benefits after five years of service. The Plan includes provisions for the death of a member. Certain retirees also receive a supplemental retirement allowance (Cost-of-Living Adjustment). Members may elect to choose an option at time of retirement that would continue to provide payments of benefits to the spouse after the death of the pensioner. All administrative and investment expenses are paid by the City of New York. The above data is further discussed in more detail in the Notes to Financial Statements.

Investments

The Board of Trustees of the New York City Police Department Subchapter Two Pension Fund, in accordance with existing laws, has the authority to determine the manner in which the funds of the system are invested. Investments are made by the New York City Comptroller (the Comptroller), who acts as custodian of the funds. The primary object of the Plan is to provide benefits for its members. Investments are made with the objective to maximize investment return while maintaining an acceptable level of risk. The investments are therefore diversified to increase investment results and provided security for the assets of the retirement system. The Comptroller utilizes several investment advisors to manage long-term debt and equity portfolios. Advisors must ensure each purchase or sale of a particular security is within the investment guidelines that were set up by the Board of Trustees. Investments are stated at fair value. Purchase and sale of securities are reflected on the trade

(Continued)

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

Management's Discussion and Analysis

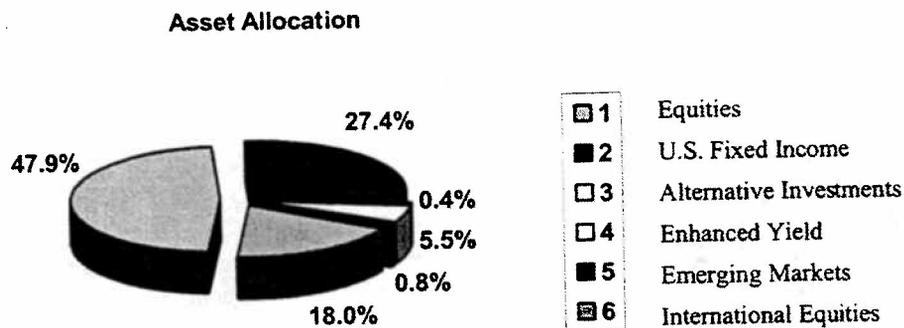
June 30, 2001 and 2000

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

Security Lending Transactions

The Board of Trustees permits the Fund to lend its securities to brokers, dealers, and others with an agreement to return, for the same securities in the future, the collateral that the Plan receives in the form of cash, treasury, and U.S. Government securities. The value of the collateral received by the Plan is 100% to 105% of the value of the securities lent plus accrued interest for reinvestment. In the end, the Plan had no credit risk from borrowers as the amounts the Plan owed the borrowers equaled or exceeded the amounts the borrowers owed the Plan.

Pension assets are invested long term for the benefit of the plan participants and their beneficiaries. All funds are managed by registered investment advisors, pursuant to applicable law and to guidelines issued by the Comptroller. Collectively the pension funds utilize 6 domestic equity managers, 16 domestic fixed income managers, 14 international equity managers, and 6 private equity partnerships. Assets are allocated in accordance with plans adopted periodically by each plan's Board of Trustees. The percentage in each category is determined based on a study indicating the probable rate of return and the levels of risk for various asset allocations. The actual allocation may vary from this policy mix as market values change and as investments are added or terminated. The Chart below shows the actual allocation as of June 30, 2001:



The pension trust funds are expected to earn a higher long-term rate of return than short-term cash accounts, due to the long-term nature of their liabilities and the diversification of their investment holdings. For the ten-year period ended June 30, 2001, the Plan has an annualized return of 11.75%. Investments in assets that are expected to produce higher returns are also subject to greater volatility — large differences from average returns — and may also produce negative returns. That was the case in Fiscal Year 2001, which has been a difficult one for investors. Investments in stock markets within and outside the United States have generally lost value. For example, the Russell 3000 Index, a broad measure of the U.S. stock market, lost 13.94% during this period, and the Europe, Australia and Far East (EAFE) Index, the most commonly used measure of performance in developed international markets, lost 23.61%. Less developed international markets lost even more — 25.82%. Bonds were the brightest spot in the broad investment universe. The index used by the NYC pension funds for

(Continued)

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

Management's Discussion and Analysis

June 30, 2001 and 2000

these fixed income investments returned 11.65% for the year, while lower-rated bonds ended the year essentially unchanged in value. The returns of the pension funds have been consistent with these broad market trends, and as a result, the asset allocation followed by the pension funds produced a combined return of negative 8.24%. For the three-year period ended June 30, 2001 the combined return was 4.17%, and for the five-year period it was 10.65%. Our above-average allocation to stocks has also meant that in the short-run our pension fund return has been lower than many public funds, which lost an average of 5.42% for the past year. Our investment costs remain lower than those of other large public funds.

Cash temporarily idle during the year is subject to conservative investment restrictions, and was invested in obligations of the U.S. Treasury and U.S. agency securities, commercial paper, medium-term notes, and repurchase agreements. The average maturity of the investments is 391 days. The Plan earned an average yield of 5.946%, which compares with the average yield of 5.64% on three-month U.S. Treasury bills and 5.74% for a representative institutional money market fund. The Fund earned \$5.8 million in its short-term accounts during Fiscal Year 2001.

The markets continued to be difficult in the first quarter of Fiscal Year 2002, in part due to the terrorist attacks on America. The Russell 3000 Index lost 15.6% during the September quarter, and the EAFE international index lost 14.35%.

Other Matters

Chapter 292 of the laws of 2001 provides corpus funding of administrative expense for the Plan commencing July 1, 2001. This means that the administrative expense will be paid for out of the earnings on the Plan instead of being paid for by the City of New York. Chapter 292 also allows for the appointment of an executive director of the Plan.

The Plan has a number of lawsuits pending against it. Management and legal counsel believe that such proceedings will not have a material effect on the plan net assets or changes in plan net assets. As of the writing of this MD&A only two of the five employee unions representing members of the Plan have settled their collective bargaining contracts. The collective bargaining agreements could cause an increase in the members' salaries. These increases could then cause member contributions and benefit payments to increase as they are based upon salary.

Contact Information

This financial report is designed to provide our active members and retirees and their beneficiaries and others with a general overview of the New York City Police Department Subchapter Two Pension Fund finances and show accountability for money it receives. Questions concerning any data provided in this report or requests for additional information should be directed to Chief Accountant, New York City Police Department Subchapter Two Pension Fund, One Police Plaza, New York, N.Y 10038.

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

Statements of Plan Net Assets

June 30, 2001 and 2000

(in thousands)

	2001	2000
Assets:		
Cash	\$ —	5
Receivables:		
Receivables for investment securities sold	438,196	1,463,348
Accrued interest and dividends receivable	75,079	68,784
Total receivables	513,275	1,532,132
Investments, at fair value (notes 2 and 3):		
Short-term investments:		
Commercial paper	147,614	404,983
Short-term investment fund	289,244	725,528
U.S. Government agency discount notes	33,361	—
Debt securities:		
U.S. Government	2,968,622	2,514,294
Corporate	2,150,990	1,799,818
Foreign	364,900	256,502
Equities:		
Equity securities	7,607,616	8,972,393
International investment fund - equities	2,971,223	3,875,991
Collateral from securities lending transactions	1,989,184	2,080,600
Total investments	18,522,754	20,630,109
Other assets	7,736	6,668
Total assets	19,043,765	22,168,914
Liabilities:		
Accounts payable (note 2)	80,812	40,661
Payables for investment securities purchased	1,202,686	2,036,723
Accrued benefits payable	5,783	8,287
Deferred employer contributions (note 5)	—	189,225
Securities lending transactions (note 2)	1,989,184	2,080,600
Total liabilities	3,278,465	4,355,496
Plan net assets held in trust for pension benefits (a schedule of funding progress for the Plan is presented on Schedule 1)	\$ 15,765,300	17,813,418

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, 2001 and 2000

(in thousands)

	2001	2000
Additions:		
Contributions (notes 5 and 6):		
Member contributions (net of loans to members)	\$ 37,862	40,761
Employer contributions	413,156	250,021
Total contributions	451,018	290,782
Investment (loss) income:		
Interest income	385,138	339,092
Securities lending income	111,101	117,602
Dividend income	108,317	118,501
Net (depreciation) appreciation in fair value of investments	(1,951,395)	1,096,156
Total investment (loss) income	(1,346,839)	1,671,351
Less:		
Investment expenses	22,013	22,398
Securities lending fees	105,104	111,108
Total investment expenses	127,117	133,506
Net investment (loss) income	(1,473,956)	1,537,845
Net payments from other retirement systems	5,983	3,355
Total net additions	(1,016,955)	1,831,982
Deductions:		
Benefit payments and withdrawals	1,031,163	896,329
Elimination of long-term employer contributions receivable (note 6)	—	454,023
Total deductions	1,031,163	1,350,352
Net (decrease) increase	(2,048,118)	481,630
Plan net assets held in trust for pension benefits:		
Beginning of year	17,813,418	17,331,788
End of year	\$ 15,765,300	17,813,418

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2001 and 2000

(1) Plan Description

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

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

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

In June 1991, the Governmental Accounting Standards Board (the GASB) issued Statement No. 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits 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 and other employee benefit trust fund.

At June 30, 2000 and 1999, the dates of the Plan's most recent actuarial valuations, the Plan's membership consisted of:

	<u>2000</u>	<u>1999</u>
Retirees and beneficiaries receiving benefits	34,636	34,739
Terminated vested members not yet receiving benefits	161	85
Active members receiving salary	<u>40,451</u>	<u>39,107</u>
Total	<u>75,248</u>	<u>73,931</u>

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

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 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 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.

Chapter 659 of the Laws of 1999 reduced the amount of service credit needed for vesting purposes to five years, subject to certain conditions. Previously, members became fully vested as to benefits upon the completion of fifteen years of service. In addition, the Plan includes provisions for death benefits.

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws that provide automatic cost-of-living (COLA) benefits for certain retirees and beneficiaries (Chapter 125 of the Laws of 2000), an increase of the ITHP contribution rate to 5.0% from 2.5% for certain Tier 1 and Tier 2 members (Chapter 373 of the Laws of 2000) and a revised definition of salary to be used in the computations of certain Tier 2 benefits. However, a collective bargaining agreement must take effect before the ITHP increase is implemented for members.

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 (see note 9(c)).

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

(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 recognized 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) Accounts Payable

Accounts payable represent, principally, amounts due to banks for benefit payments made on or before June 30, 2001 and 2000; transfers to the appropriate bank accounts were made after those dates.

(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, for the same securities in the future with a simultaneous agreement to return the collateral in the form of cash, treasury and U.S. Government securities. 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 investment funds. In return, it receives collateral in the form of cash and treasury and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year end, the 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

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

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.

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.

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.

(f) *Reclassifications*

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

(g) *New Accounting Standards Adopted*

In Fiscal Year 2001, the Plan adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- Statement No. 37 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- Statement No. 38 *Certain Financial Statement Disclosures*

Statement No. 34, (as amended by Statement No. 37) represents significant changes in the financial reporting model used by State and local governments. It requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. In addition it also requires as required, supplementary information Management's Discussion and Analysis which includes an analytical review of the Plan's financial activities.

Statement No. 38 requires certain disclosures to be made to the notes to the financial statements concurrent with the implementation of Statement No. 34. While this statement does not affect amounts reported in the financial statements of the System, certain note disclosures have been added or amended.

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

The primary impact of these new accounting standards adopted on the Plan is the Management' Discussion and Analysis.

(3) Deposits and Investments

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

The criteria for the plan investments are as follows:

- (a) Fixed income investments may be made only in U.S. Government securities, securities of U.S. 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 Retirement and Social Security Law (RSSL).
- (c) Short-term investments may be made in the following instruments:
 - (i) U.S. Government securities or U.S. 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; and
 - (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, 2001 and 2000

Investments owned by the Plan, including the collateral from securities lending transactions of approximately \$1,989 million and \$2,081 million at June 30, 2001 and 2000, respectively, are listed according to their investment classification in the following table:

	<u>2001</u>	<u>2000</u>
	(in thousands)	
Categorized (A):		
Repurchase agreements	\$ 82,821	79,544
Commercial paper	722,300	1,194,126
U.S. Government securities	2,973,609	2,520,473
Corporate bonds	2,742,175	2,411,450
Equity securities	7,565,142	8,947,898
Foreign debt securities	364,900	256,502
U.S. Government Agency	33,362	—
Subtotal	<u>14,484,309</u>	<u>15,409,993</u>
Noncategorized (B):		
Short-term investment fund	867,311	1,312,762
International investment fund - equities	3,013,696	3,900,486
Mutual funds	157,438	6,868
Subtotal	<u>4,038,445</u>	<u>5,220,116</u>
Total	<u>\$ 18,522,754</u>	<u>20,630,109</u>

- (A) All categorized investments are Category 1 risk.
 (B) These securities are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

(4) Due to Variable Supplements Funds (VSFs)

The ACNY provides that the Plan transfer 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, if any. 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. In addition, such transfers from the Plan to the POVSF and PSOVSF are limited to the unfunded accumulated benefit obligation (ABO) of these VSFs.

For fiscal year 2001, the unfunded ABO of the VSFs is estimated to be equal to zero, and, therefore, no transfers will be due from the Plan.

For fiscal year 2000, the unfunded ABO of the VSFs was equal to zero and, therefore, no transfers were due from the Plan.

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

(5) Contributions

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

(a) Member Contributions

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

These members contribution rates are currently reduced by two and one-half percentage points under the ITHP program. Beginning October 1, 2000, these members will have the ITHP contribution rate increase to 5.0% from 2.5%. However, a collective bargaining agreement must take effect before the ITHP increase is implemented for members.

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 members' contribution accounts. The amount of member loans outstanding as of June 30, 2001 and 2000 was approximately \$344 million and \$365 million, respectively.

Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding.

(b) Employer Contributions

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

The June 30, 1999 and 2000 actuarial valuations used to determine Fiscal Years 2000 and 2001 employer contributions were based on actuarial assumptions and methods recommended by the Plan's Actuary. Where required, the Board of Trustees of the Plan adopted those changes to the actuarial assumptions and methods that required Board approval and the New York State Legislature and Governor enacted Chapter 85 of the Laws of 2000 (Chapter 85/00) to provide for those changes to the actuarial assumptions and methods that required legislation, including the investment rate of return assumption of 8.0% per annum.

The Frozen Initial Liability Actuarial Cost Method was utilized by the Plan's Actuary to calculate the contributions from the City. Under this actuarial cost method, the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the Unfunded Actuarial Accrued Liability (UAAL) not less than zero. 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 UAAL, if

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

any, and the present value of future employee contributions 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.

Chapter 85/00 reestablished a UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The BSL is the Employer Contribution Receivable - Long Term described in note 6. The schedule of payment toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning fiscal year 2000, where each annual payment after the first equals 103% of its preceding annual payment.

Additionally, the Actuarial Asset Valuation Method (AAVM) was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan. This AAVM recognizes expected investment returns immediately and phases in investment returns greater or less than expected (i.e., Unexpected Investment Returns (UIR)).

Under this AAVM, any UIR for fiscal years 2000 and later will be phased into the Actuarial Asset Value (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).

Employer contributions for fiscal year 2000 were equal to the Actuary's recommendations.

Actual employer contributions for fiscal year 2001 were equal to the amounts calculated by the Actuary in accordance with Chapter 125/00. These contributions were less than the annual required contributions computed in accordance with Statement No. 25 of GASB, due to the phase-in schedule for funding provided by Chapter 125/00.

(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 provided 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 was included in employer contributions each year.

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

In accordance with Chapter 85/00, the City's liability relating to this receivable is no longer being funded separately as part of actuarially determined pension contributions. As such, a liability on the part of the City separate from its actuarially determined pension contributions, and the Plan's related receivable no longer exist (see note 5(b)). The elimination of the receivable has been reported as a deduction from plan net assets in fiscal year 2000.

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

(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 certain investment expenses are paid by the City.

The Comptroller is custodian of plan assets. The Comptroller also provides cash receipt and cash disbursement services to the Plan. Actuarial services are provided to the Plan by the Office of the Actuary employed by the Boards of Trustees of the City's main pension systems. The City's Corporation Counsel provides legal services to the Plan. Other administrative services are also provided by the City. The cost of providing such services amounted to \$2,322,926 and \$2,235,311 in Fiscal Years 2001 and 2000, respectively.

(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. 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 2001 and 2000, certain events described herein took place which, in the opinion of plan management, could have the effect of increasing obligations of the Plan to members and beneficiaries. The effect of such events has not been fully quantified; however, it is the opinion of plan management that such developments would not have a material effect on plan net assets or changes in plan net assets.

(a) Actuarial Audit

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

(b) Revised Actuarial Assumptions and Methods

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

(Continued)

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

Notes to Financial Statements

June 30, 2001 and 2000

Based upon a review of the latest independent actuarial study, the Actuary proposed changes to certain actuarial assumptions and methods to be used by the NYCPS for fiscal years beginning on and after July 1, 1999 (i.e., fiscal year 2000). Where required, the Board of Trustees of the Plan has adopted those changes to actuarial assumptions and methods that required Board approval and the New York State Legislature and Governor have enacted Chapter 85/00 to provide for those changes to the actuarial assumptions and methods that required legislation, including the investment rate of return assumption of 8% per annum.

(c) *New York State Legislation*

Chapter 85/00 amends the ACNY to implement changes in actuarial assumptions and methods that require legislation. In particular, it includes changes in Actuarial Interest Rate, rates of interest on Tier 1 and Tier 2 member contributions and ITHP Reserves, determination of amortization of Unfunded Actuarial Accrued Liabilities, and establishment of Liability Valuation Method.

Chapter 125 of the Laws of 2000 (Chapter 125/00) provides eligible retirees with permanent cost-of-living adjustments.

Chapter 372 of the Laws of 2000 provides a revised definition of salary base to be used in the computation of certain benefits for Tier 2 members of the Plan.

Chapter 373 of the Laws of 2000 (Chapter 373/00) increase the ITHP contribution rate to 5.0% from 2.5% for members of the Plan.

Chapter 548 of the Laws of 2000 permits certain members to purchase up to three years of credit for certain U.S. Military Service by paying 3% of imputed salary.

Chapter 551 of the Laws of 2000 provides beneficiaries of Tier 2 members of the Plan who die in active employment while eligible to retire for service with a death benefit equal to the pension reserve as if the member had elected Option 1.

Chapter 292 of the Laws of 2001 provides Corpus Funding of administrative expenses for the Plan commencing July 1, 2001 and allows for the appointment of an executive director for the Plan.

(d) *Automatic Cost-of-Living Adjustment and Enhanced Benefits*

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provide COLA for retirees (Chapter 125/00), an increase in the ITHP contribution rate to 5.0% from 2.5% for members of the Plan (Chapter 373/00), a revised salary base for computing benefits for certain Tier 2 members of the Plan and several other changes in benefits for various groups. These benefit enhancements were not reflected in the actuarial valuations as of June 30, 1999 and were reflected in the actuarial valuations as of June 30, 2000.

Of particular note, Chapter 125/00 provides for a phase-in schedule for funding the additional actuarial liabilities created by the benefits provided by this law. The impact of the phase-in is to postpone funding resulting in increasing employer contributions during the five year phase-in period.

**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 June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
(A)	(B)	(B) & (C)	(D)(2)-(1)	(1)÷(2)		(3)÷(5)
2000	\$ 17,601,913	\$ 17,601,913	\$ —	100.0%	\$ 2,465,682	0.0%
1999	16,877,765	16,877,765	—	100.0%	2,331,957	0.0%
1998	12,397,792	13,812,459	1,414,667	89.8%	2,091,063	67.7%
1997	11,237,636	12,475,679	1,238,043	90.1%	2,036,450	60.8%
1996	10,342,907	11,603,367	1,260,460	89.1%	1,919,993	65.6%
1995	9,632,930	10,955,850	1,322,920	87.9%	1,844,885	71.7%

* Frozen Entry Age (1995-1998), Frozen Initial Liability (1999-2000)

- (A) For the fiscal 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 and June 30, 1999, the economic and noneconomic assumptions were revised due to experience review.

The AAVM was changed as of June 30, 1995 and June 30, 1999 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 and June 30, 1999.

Under the AAVM used as of June 30, 1995, the AAV was reset to Market Value (i.e., Market Value Restart) as of June 30, 1995. Prior to June 30, 1995, this AAVM recognized expected investment returns immediately and phased in investment returns greater or less than expected (i.e., 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 was a modified version of that used prior to June 30, 1995.

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

Under the AAVM used as of June 30, 1999, any UIR for fiscal years 2000 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).

- (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 the 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)

Annual Fiscal Year Ended June 30	Required Contribution	Percentage Contributed
2001	\$ 543,758	76.0%
2000	250,021	100.0%
1999	486,780	100.0%
1998	531,657	100.0%
1997	529,777	100.0%
1996	554,961	100.0%

The actual contribution of \$413,156 thousands for fiscal year 2001 was computed in accordance with Chapter 125/00 which provide for a five-year phase-in of the liabilities attributable to Chapter 125/00.

**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>June 30, 2000</u>	<u>June 30, 1999</u>
Actuarial cost method	Frozen Initial Liability ¹ .	Frozen Initial Liability ¹ .
Amortization method for Unfunded Actuarial Accrued Liabilities	Not applicable. ²	Not applicable. ²
Remaining amortization period	Not applicable. ²	Not applicable. ²
Actuarial asset valuation method	Modified five-year moving average of market values with market value restart as of June 30, 1999.	Modified five-year moving average of market values with market value restart as of June 30, 1999.
Actuarial assumptions: Investment assumed rate of return	8.0% per annum. ³	8.0% per annum. ³
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 3.0% per year. ³	In general, merit and promotion increases plus assumed general wage increases of 3.0% per year. ³
Cost-of-living adjustments	1.3 per annum. ³	Provided by the legislature on an ad hoc basis.

¹ Under this Actuarial Cost Method, the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the UAAL not less than \$0.

² In conjunction with Chapter 85/00, there is an amortization method. However, the UAAL for the Plan equals \$0 and no amortization period is required.

³ Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

New York City Police Department Pension Fund- Subchapter Two

Schedule of Administrative Expenses
Year Ended June 30, 2001

<u>Salaries Paid to Plan Personnel</u>		\$ 4,661,441
<u>Professional Services:</u>		
Administration	\$ 335,737	
Trading and Investments	1,013,647	
Management Division	21,205	
Legal	<u>487,596</u>	
Total Professional Services	\$ 1,858,185	1,858,185
<u>Communication and General Services:</u>		
Printing and Computer Services	63,307	
Heat, light and telephone	4,732	
Postage	124,186	
General services	<u>47,954</u>	
Total Communication and General services	240,179	240,179
<u>Miscellaneous Expenses:</u>		
Office of Management and Budget	192,980	
Department of Financial Management	<u>41,582</u>	
Total Miscellaneous Expenses	234,562	234,562
Total Administrative Expenses		\$ 6,994,367

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

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND SUBCHAPTER TWO

BROKER COMMISSIONS REPORT
AS OF JUNE 30,2001

Schedule 5

	Commissions Paid	cost / share	% total commissions
ABEL NOSER CORP THRU 100	\$ 4,865.60	0.0145	0.19%
ABN AMRO INC	\$ 29,252.50	0.0381	1.13%
ABN AMRO SECURITIES LLCC	\$ -	0.0000	0.00%
ADAMS HARKNESS & HILL	\$ 380.00	0.0099	0.01%
ADVEST,INC	\$ -	0.0000	0.00%
AFFILIATED INVEST SERV THR	\$ -	0.0000	0.00%
ALAMO NATL BK-BOND DEPT TH	\$ -	0.0000	0.00%
ALEX BROWN CAPITAL ADVISOR	\$ -	0.0000	0.00%
ARCHIPELAGO BCC CAPITAL TH	\$ -	0.0000	0.00%
ARNHOLD & S BLEICHROEDER I	\$ -	0.0000	0.00%
AUTRANET,INC THRU 0443	\$ 13,640.00	0.0595	0.53%
BAIRD PATRICK	\$ -	0.0000	0.00%
BAIRD ROBERT W & CO INC	\$ 7,811.00	0.0517	0.30%
BANKERS TRUST CO. - GIM	\$ -	0.0000	0.00%
BARING SECURITIES INC THRU	\$ 5,512.00	0.0475	0.21%
BEAL M R & COMPANY THRU 04	\$ -	0.0000	0.00%
BEAR STEARNS & CO INC	\$ 52,595.80	0.0391	2.04%
BEAR STEARNS & CO.	\$ -	0.0000	0.00%
BERNSTEIN SANFORD C. & CO	\$ 21,933.00	0.0552	0.85%
BLAIR WILLIAM & CO	\$ 10,363.00	0.0204	0.40%
BLAYLOCK PARTNERS L.P. THR	\$ -	0.0000	0.00%
BNY ESI & CO-ALPHA DIV THR	\$ -	0.0000	0.00%
BOSTON SAFE DEPOSIT & TRUS	\$ -	0.0000	0.00%
BRANCH CABELL	\$ -	0.0000	0.00%
BRIDGE TRADING THRU 573	\$ 32,427.00	0.0570	1.26%
BROAD COURT CORP THRU 0161	\$ 6,189.12	0.0300	0.24%
BROWN BROTHERS HARRIMAN &	\$ -	0.0000	0.00%
B-TRADE SERVICES LLC	\$ 2,575.40	0.0100	0.10%
BUCKINGHAM RESEARCH GROUP	\$ -	0.0000	0.00%
BUCKINGHAM RESEARCH GROUP,	\$ -	0.0000	0.00%
BUNTING WARBURG INC -NSCC	\$ 390.40	0.0201	0.02%
CANTOR FITZGERALD & CO, IN	\$ 330.00	0.0222	0.01%
CAPITAL INSTIT SEC INC THR	\$ 29,035.00	0.0506	1.12%
CHAPMAN COMPANY THRU 0235	\$ -	0.0000	0.00%
CIBC OPPENHEIMER CORP	\$ 21,119.00	0.0345	0.82%
CITATION GROUP THRU 0161	\$ 68,305.22	0.0534	2.84%
CLEARY, GULL & REILAND THR	\$ 40.00	0.0022	0.00%
CONNING & CO THRU 0161	\$ -	0.0000	0.00%
CORRESPONDENT SVCS CORP TH	\$ 387.84	0.0300	0.02%
COWEN & CO	\$ 35,825.00	0.0524	1.39%
CREDIT SUISSE FIRST BOSTON	\$ 192,325.47	0.0326	7.45%
DAIN RAUSCHER INCORPORATED	\$ 1,555.00	0.0068	0.06%
DAVIDSON (DA)&CO-NSCC	\$ 685.00	0.0500	0.03%
DAVIS, MENDEL REGERTEIN TH	\$ 2,142.00	0.0600	0.08%
DB CLEARING SVCS	\$ 5,260.00	0.0410	0.20%
DB CLEARING SVCS THRU 0245	\$ 26,866.00	0.0408	1.04%
DEMATTED MONNESS LLC THRU	\$ -	0.0000	0.00%
DEUTSCHE BANC ALEX BROWN I	\$ 27,292.00	0.0368	1.06%
DONALDSON & CO INC THRU 04	\$ -	0.0000	0.00%
DONALDSON LUFKIN & JENRETT	\$ 16,197.00	0.0281	0.63%
DRESDNER SECS (USA) INC	\$ 275.00	0.0500	0.01%
EDWARDS (AG) & SONS INC	\$ 85.00	0.0500	0.00%
ELKINS MCSHERRY & CO INC	\$ 22.00	0.0200	0.00%
EQUITY SECS TRADING THRU 2	\$ -	0.0000	0.00%
ERNST & CO	\$ 1,972.00	0.0200	0.08%
EXECUTION SERVICES INC	\$ -	0.0000	0.00%

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND SUBCHAPTER TWO

BROKER COMMISSIONS REPORT
AS OF JUNE 30,2001

Schedule 5

	Commissions Paid	cost / share	% total commissions
FACTSET DATA SYSTEMS INC	\$ 20,436.00	0.0600	0.79%
FACTSET DATA SYSTEMS THRU	\$ 1,506.00	0.0600	0.06%
FIDELITY CAP MKTS (NFSC)TH	\$ -	0.0000	0.00%
FIRST ALBANY CORP	\$ 745.00	0.0500	0.03%
FIRST ANALYSIS SEC CORP TH	\$ -	0.0000	0.00%
FIRST OF AMERICA BANK-MICH	\$ -	0.0000	0.00%
FIRST OPTIONS OF CHICAGO T	\$ 927.50	0.0250	0.04%
FIRST TENNESSEE SECURITIES	\$ -	0.0000	0.00%
FIRST UNION CAPITAL MARKET	\$ -	0.0000	0.00%
FIRST UNION CAPITAL MKTS T	\$ 13,290.00	0.0334	0.51%
FLEET SECS INC	\$ 2,487.00	0.0300	0.10%
FOURTEEN RESEARCH CORP THR	\$ 6,552.00	0.0600	0.25%
FOX PITT KELTON INC THRU 0	\$ 1,940.00	0.0500	0.08%
FRIEDMAN BILLNGS & RAMSY T	\$ -	0.0000	0.00%
GARDNER RECH & CO THRU 079	\$ 5,583.00	0.0267	0.22%
GERARD KLAEUR MATTISON THR	\$ 210.00	0.0500	0.01%
GOLDMAN, SACHS & CO.	\$ 158,209.07	0.0227	6.12%
GORDON HASKETT CAP CORP	\$ -	0.0000	0.00%
GRUSS, OSCAR, & SON INC	\$ -	0.0000	0.00%
GUZMAN & COMPANY	\$ 50,947.26	0.0344	1.97%
HERZOG HEINZ GEDULD (EQUIT	\$ -	0.0000	0.00%
HERZOG,HEINE,GEDULD,INC	\$ 2,035.00	0.0328	0.08%
HOAK SECURITIES	\$ -	0.0000	0.00%
HOENIG & COMPANY INC	\$ 2,076.00	0.0600	0.08%
HOWARD, WEIL, LABOUISSIE TH	\$ 1,320.00	0.0600	0.05%
ING BARING SECURITIES ,LTD	\$ -	0.0000	0.00%
ING BARRING SECURITIES	\$ -	0.0000	0.00%
INSTINET CORP	\$ -	0.0000	0.00%
INSTINET CORP THRU 0067	\$ 40,226.08	0.0141	1.56%
INSTITUTIONAL SERVICES UNL	\$ 12,035.00	0.0299	0.47%
INVEMED ASS THRU 0352	\$ -	0.0000	0.00%
INVESTMENT TECH GRD THRU 0	\$ 99,622.92	0.0206	3.86%
ISI GROUP INC THRU 0352	\$ 7,932.00	0.0600	0.31%
ISI GROUP INC THRU 0573	\$ -	0.0000	0.00%
JACKSON PARTNERS & ASSOC T	\$ -	0.0000	0.00%
JACKSON SECURITIES INC	\$ -	0.0000	0.00%
JEFFRIES & CO	\$ 2,242.50	0.0138	0.09%
JOHNSON RICE & CO THRU 035	\$ -	0.0000	0.00%
JONES & ASSOCS THRU 0226	\$ 1,242.00	0.0300	0.05%
KEEFE BRU & WOODS INC THRU	\$ -	0.0000	0.00%
KING, CL AND ASSOC	\$ -	0.0000	0.00%
KNIGHT SECURITIES BROADCOR	\$ -	0.0000	0.00%
LAKEVIEW SECURITIES CORP T	\$ -	0.0000	0.00%
LAZARD FRERES & CO.	\$ 11,303.34	0.0422	0.44%
LEERINK SWAN & CO /IPO	\$ 165.00	0.0500	0.01%
LEGG MASON	\$ 3,360.00	0.0500	0.13%
LEGG MASON WOOD WALKER THR	\$ 140.00	0.0021	0.01%
LEHMAN BROS PR INC	\$ 137,560.38	0.0156	5.33%
LEWCO SECS FOR HAMBERCH TH	\$ 2,814.00	0.0581	0.11%
LEWCO SECS FOR WERTHEIM TH	\$ 20,550.00	0.0600	0.80%

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND SUBCHAPTER TWO

BROKER COMMISSIONS REPORT
AS OF JUNE 30,2001

Schedule 5

	Commissions Paid	cost / share	% total commissions
LEWCO SECURITIES CORP	\$ -	0.0000	0.00%
LOOP CAPITAL MARKETS LLC	\$ 3,210.00	0.0300	0.12%
LYNCH JONES & RYAN THRU 00	\$ 14,086.00	0.0562	0.55%
M. RAMSEY KING SECURITIES	\$ -	0.0000	0.00%
MAGNA SECURITIES CORP	\$ -	0.0000	0.00%
MAPLE PARTNERS-UK	\$ 11,720.00	0.0535	0.45%
MC MAHAN SECURITIES CO., L	\$ -	0.0000	0.00%
MCDONALD & COMPANY SEC INC	\$ -	0.0000	0.00%
MERRILL LYNCH & CO DEBT SE	\$ -	0.0000	0.00%
MERRILL LYNCH PROFESS CLEA	\$ 5,280.00	0.0512	0.20%
MERRILL LYNCH,PIERCE,FENNE	\$ 239,952.60	0.0121	9.29%
MILLER TABAK HIRSCH THRU 0	\$ 48.00	0.0400	0.00%
MORGAN (JP) SECS INC	\$ 62,991.65	0.0174	2.44%
MORGAN KEEGAN & CO INC	\$ -	0.0000	0.00%
MORGAN STANLEY & CO INC	\$ 320,193.12	0.0088	12.40%
NATIONAL FINANCE SVCS CORP	\$ 19,987.88	0.0282	0.77%
NATIONSBANK MONTGOMERY SEC	\$ 113,063.61	0.0336	4.38%
NEEDHAM & CO INC THRU 0352	\$ 120.00	0.0413	0.00%
NEUBERGER & BERMAN, LLC	\$ 3,250.00	0.0270	0.13%
NUTMEG SECS THRU 0443	\$ -	0.0000	0.00%
O'NEIL, WILLIAM & CO.,INC.	\$ 19,266.00	0.0600	0.75%
PACIFIC AMERICAN SEC THRU	\$ -	0.0000	0.00%
PACIFIC GROWTH THRU 0158	\$ -	0.0000	0.00%
PAINE WEBBER INC	\$ 19,842.74	0.0194	0.77%
PAULSEN DOWLING SECS THRU	\$ -	0.0000	0.00%
PCS SECS INC THRU 0352	\$ 6,048.00	0.0600	0.23%
PENN MERCHANT THRU 0443	\$ -	0.0000	0.00%
PERSHING DIV DONALDSON,LUF	\$ 1,782.00	0.0551	0.07%
PRUDENTIAL SECS INC	\$ 48,113.00	0.0394	1.86%
PRYOR MCLENDON THRU 0030	\$ 7,107.00	0.0540	0.28%
PUTNAM LOVELL DE GUARDIOLA	\$ -	0.0000	0.00%
QUAKER SECS INC THRU 0501	\$ -	0.0000	0.00%
R. SEELAUS & COMPANY INC	\$ -	0.0000	0.00%
RAYMOND JAMES & ASSOCIATES	\$ -	0.0000	0.00%
RBC DOMINION SECURITIES CO	\$ 3,581.20	0.0544	0.14%
ROBERTSON STEPHENS	\$ 21,695.00	0.0205	0.84%
ROBINSON HUMPHREY THRU 041	\$ 290.00	0.0500	0.01%
ROCHDALE SEC CORP THRU 044	\$ 65.00	0.0500	0.00%
SALOMON SMITH BARNEY INC.	\$ 248,645.75	0.0291	9.63%
SANDLER O'NEILL & PARTNERS	\$ 1,125.00	0.0500	0.04%
SBC WARBURG DILLION READ S	\$ -	0.0000	0.00%
SBC WARBURG, INC	\$ 108,349.41	0.0275	4.19%
SCHWAB,CHARLES & CO INC	\$ -	0.0000	0.00%
SCOTT AND STRINGFELLOW INC	\$ -	0.0000	0.00%
SESLIA SECURITIES	\$ -	0.0000	0.00%
SHERWOOD SECURITIES CORP T	\$ -	0.0000	0.00%
SIMMONS & COMPANY INTERNAT	\$ 1,085.00	0.0500	0.04%
SK INTL SECS THRU 0573	\$ 14,588.00	0.0590	0.56%

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

**BROKER COMMISSIONS REPORT
AS OF JUNE 30,2001**

Schedule 5

	Commissions Paid cost / share % total commissions		
SOUNDVIEW FINL GROUP THRU	\$ 945.00	0.0115	0.04%
SOUTHTRUST BANK IPA THRU 0	\$ 1,578.00	0.0600	0.06%
SOUTHWEST SECS INC THRU 27	\$ -	0.0000	0.00%
SOUTHWEST SECURITIES INC	\$ -	0.0000	0.00%
SPEAR, LEEDS & KELLOGG	\$ 5,285.00	0.0393	0.20%
SSB INC./SB INC.	\$ -	0.0000	0.00%
STATE STREET BROKERAGE SVC	\$ -	0.0000	0.00%
STEPHENS INC	\$ -	0.0000	0.00%
STUDNESS REASEARCH	\$ 1,074.00	0.0600	0.04%
SUNTRUST EQUITABLE THRU 05	\$ -	0.0000	0.00%
SUTRO & COMPANY INC THRU 0	\$ -	0.0000	0.00%
THOMAS WEISEL PTNS. LLC TH	\$ 17,655.00	0.0091	0.68%
THOMSON INSTITUTIONAL SERVI	\$ -	0.0000	0.00%
THOMSON INSTITUTIONAL SVCS	\$ -	0.0000	0.00%
TO REVERSE PREVIOUS DELIVE	\$ -	0.0000	0.00%
TROSTER SINGER CORP THRU 0	\$ -	0.0000	0.00%
U.S. BANCORP PIPER JAFFRAY	\$ 875.00	0.0024	0.03%
UNTERBERG HARRIS THRU 0221	\$ 12,168.00	0.0600	0.47%
US CLEARING INST TRAD	\$ 36.00	0.0200	0.00%
UST SECURITIES CORO THRU 0	\$ 1,145.00	0.0500	0.04%
UTENDAHL CAP PARTNS THRU 0	\$ -	0.0000	0.00%
UTENDAHL CAPITAL PARTNERS	\$ -	0.0000	0.00%
W.R. HAMBRECHT & CO LLC	\$ -	0.0000	0.00%
WACHOVIA SECURITIES INC	\$ 3,330.00	0.0500	0.13%
WEDBUSH MORGAN SECURITIES	\$ -	0.0000	0.00%
WEEDON & CO THRU 0443	\$ 2,974.02	0.0071	0.12%
WEISS, PECK & GREER	\$ -	0.0000	0.00%
WELLINGTON H.G. & CO INC	\$ -	0.0000	0.00%
WESTMINISTER RES ASOC/ BRO	\$ 10,770.00	0.0600	0.42%
WEXFORD CLEARING SVCS CORP	\$ -	0.0000	0.00%
WILLIAM SMITH SECURITIES I	\$ -	0.0000	0.00%
WILLIAMS CAPITAL GROUP, L.	\$ -	0.0000	0.00%
WILSHIRE ASSN NSCC	\$ 4,692.00	0.0600	0.18%
TOTAL COMMISSION	\$ 2,583,123.38		100.00%

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

MANAGEMENT FEES
AS OF JUNE 30, 2001

INTERNATIONAL**ACTIVE**

BANK OF IRELAND ASSET MGT (US) LTD/CHASE	\$994,164	\$115,016	\$1,109,180
CAPITAL GUARDIAN TRUST CO/CHASE	1,356,301	135,843	1,492,144
DELAWARE MGT. CO.	358,645		358,645
GE INVESTMENT MGMT. INC./ST. STREET BK& TR	607,702		607,702
INVISTA CAPITAL MGT.	142,462		142,462
OECHSLE INT'L ADVISORS	428,441		428,441
PUTNAM ADVISORY CO.	312,399		312,399
ROWE PRICE-FLEMING	833,874		833,874
SCHRODER TRUST COMPANY/BROWN BROS.	503,395	213,373	716,768
SCUDDER TRUST COMPANY/BROWN BROS	836,104	268,013	1,104,117
TOTAL ACTIVE	\$6,373,487	\$732,245	\$7,105,732

EMERGING MARKETS

BANKERS TRUST/DEUTSCHE	9,680	13,000	22,680
BARCLAYS GLOBAL INVESTORS, N.A.	141,577	94,224	235,801
SUBTOTAL INDEX	\$151,257	\$107,224	\$258,481
GENESIS ASSET MGRS LTD/BANKERS TRUST	368,694	56,827	425,521
PICTECT INT'L MGT LTD/BROWN BROS.	658,129	193,387	851,516
SUBTOTAL EMERGING MARKETS	\$1,026,823	\$250,214	\$1,277,037
TOTAL INTERNATIONAL	\$7,551,567	\$357,438	\$1,535,518

**NEW YORK CITY POLICE DEPARTMENT PENSION FUND-SUBCHAPTER 2
REPORT ON INVESTMENT MANAGEMENT FEES**

June 30, 2001

**MANAGEMENT FEES
AS OF JUNE 30, 2001**

EQUITY

BANKERS TRUST COMPANY/INDEX	\$50,000		\$50,000
MERRILL LYNCH ASSET MGMT/INDEX 3000	37,500		37,500
MERRILL -VALUE R 1000	17,000		17,000
	<hr/>		<hr/>
EQUITY INDEX	\$104,500		\$104,500
AMERICAN EXPRESS/GROWTH	596,000		596,000
FIDELITY MGMT. TRUST COMPANY/GROWTH	1,960,000		1,960,000
LOOMIS SAYLES & CO. L.P./GROWTH	748,000		748,000
	<hr/>		<hr/>
SUBTOTAL GROWTH	\$3,304,000		\$3,304,000
	<hr/>		<hr/>
SUBTOTAL US EQUITY	\$3,408,500		\$3,408,500
ALTERNATIVE INVESTMENTS	\$2,654,265		\$2,654,265
	<hr/>		<hr/>
TOTAL US EQUITY	\$6,062,765		\$6,062,765

FIXED INCOME

FISCHER, FRANCIS, TREES & WATTS, INC.	\$248,719	\$35,000	\$283,719
LINCOLN CAPITAL MANAGEMENT CO/GOVT	61,273	7,000	68,273
PIMCO	271,467	85,000	356,467
	<hr/>	<hr/>	<hr/>
SUBTOTAL GOVERNMENT	\$581,459	\$127,000	\$708,459
BLACKROCK	276,903		276,903
LINCOLN CAPITAL MGMT CO/MORT	247,526	(8,000)	239,526
PACIFIC INVESTMENT MGMT. CO.	492,110	460,000	952,110
	<hr/>	<hr/>	<hr/>
SUBTOTAL MORTGAGE	1,016,539	452,000	1,468,539
BLACKROCK	105,701		105,701
CREDIT SUISSE	204,276	125,000	329,276
T. ROWE PRICE ASSOCIATES, INC.	259,306		259,306
	<hr/>	<hr/>	<hr/>
SUBTOTAL CORPORATE	569,283	125,000	694,283

NEW YORK CITY POLICE DEPARTMENT PENSION FUND- SUBCHAPTER 2
 REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 2001

MANAGEMENT FEES
 AS OF JUNE 30, 2001

	EST. 2001 BASE FEES	PERF/CUST FEES	TOTAL FEES
FISCHER, FRANCIS, TREES & WATTS/YANKEE	104,681	(105,000)	(319)
PRUDENTIAL	64,850	44,000	108,850
SUBTOTAL YANKEE	169,531	(61,000)	108,531
SUBTOTAL FL. STRUCTURED PROG.	2,336,812	643,000	2,979,812
ENHANCED YIELD			
ALLIANCE CAPITAL MGMT. L.P.	230,453		230,453
CREDIT SUISSE/BEA ASSOCIATES	406,224		406,224
LOOMIS SAYLES & CO. L.P.	1,105,250		1,105,250
W.R. HUFF ASSET MGMT. CO. LLC	893,308		893,308
SUBTOTAL ENH. YLD.	2,635,235		2,635,235
TOTAL US FIXED INC.	4,972,047	643,000	5,615,047
CONSULTANTS			
PACIFIC CORP. GROUP	237,386		237,386
BUCK CONSULTING	100,000		100,000
STRATEGIC INVESTMENT SOLUTIONS, INC.	152,708		152,708
TOTAL CONSULTANTS	490,094		490,094
CUSTODIANS			
CITIBANK		533,895	533,895
TOTAL CUSTODY		\$533,895	\$533,895
TOTAL - ASSET MANAGEMENT			
INTERNATIONAL	\$7,551,567	\$1,089,683	\$8,641,250
EQUITY	3,408,500		3,408,500
ALTERNATIVE INV.	2,654,265		2,654,265
FIXED INCOME	4,972,047	643,000	5,615,047
CONSULTANT	490,094		490,094
OTHER		533,895	533,895
TOTAL COSTS PAID BY SYSTEM FISCAL YEAR 2001	\$ 19,076,473	\$ 2,266,578	\$21,343,051
NET CHANGE DUE TO ACCRUED EXPENSES	\$ 670,210		\$ 670,210
TOTAL INVESTMENT EXPENSES INCURRED BY SYSTEM	\$ 19,746,683	\$ 2,266,578	\$ 22,013,261

**New York City Police Department
SUBCHAPTER TWO PENSION Fund**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Pension Trust Fund of The City of New York



**INVESTMENT SECTION
PART III**

FISCAL YEAR ENDED JUNE 30, 2001

Investment Section

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

Investment Policy

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

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

Investment Philosophy

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

1-Risk Tolerance

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

2-Returns

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

3-Diversification

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

Liquidity Requirements

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

Investment Objectives

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

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

Asset Allocation

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

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

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

The policy mix targeted for the fund in fiscal year 2001 included securities from the following categories: U.S. Equities 47.9 %, U.S. Fixed Income 27.4%, International Equities 18.0%, Emerging Markets 0.8%, Alternative investments 0.4%, Enhanced yield 5.5%.

Investment activities and results for fiscal year 2001 current activities.

During the year several initiatives were taken to increase investment returns and provide greater safety for the funds assets. The Pension Fund continued to diversify assets across different security classes. Exposure to International Equities decreased by \$904.8 millions over the previous year. Investment in the Security Lending Program decreased at the end of the year by \$91.4 million. All security on loans are fully collateralized with cash or Treasury Securities.

Results

Fiscal year 2001 was not a good year for the securities industry and also for the pension system. The overall investment return on assets was (9.0%). The Russell 3000 index lost 13.9% and the Lehman Brothers NYC Fixed Income Index returned 11.7%, International Equity (7.7%), International Emerging markets at (25.8%). Total fund performance was above assumed actuarial rate of return at (10.2%) which is below the median public fund in America, which returned (5.4%). The total investments during the year decreased from \$20,630,110 thousands to \$18,522,755 thousands.

Assets decreased during fiscal year 2001 from \$22,168,914 thousands to \$19,043,766 thousands, net investment income decreased from \$1,537,845 thousands to (\$1,473,957) thousands. This represented a net decrease from 2000 of 195.8%.

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

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2

Year ended June 30, 2001
CONSOLIDATED PERFORMANCE REPORT

Through June 30, 2001

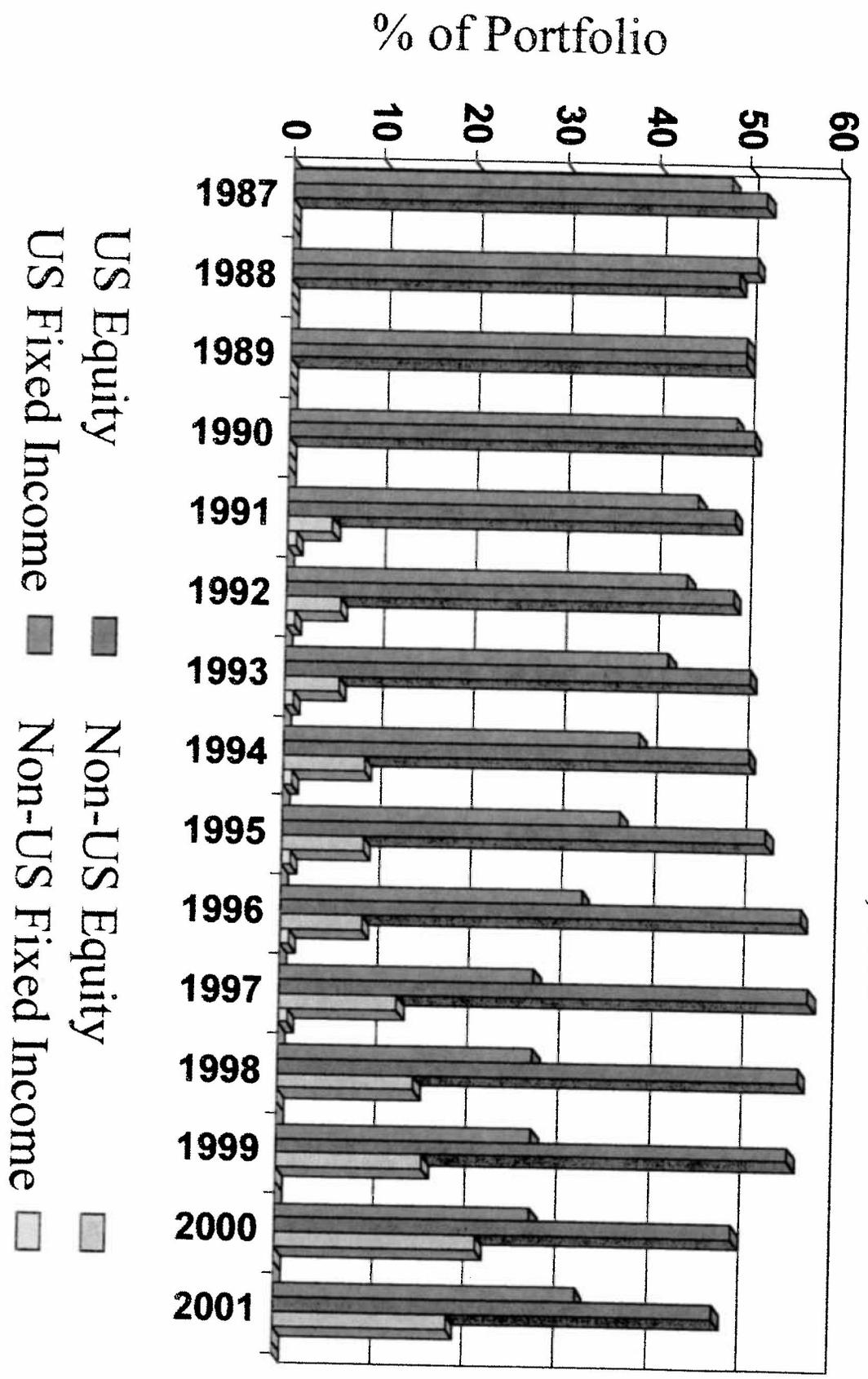
Assets (\$MM)	% Total		3 Mos Apr-01 Jun-01	YTD Jan-01 Jun-01	1 Yr Jul-00 Jun-01	3 Yrs Jul-98 Jun-01	5 Yrs Jul-96 Jun-01	7 Yrs Jul-94 Jun-01	10Yrs Jul-91 Jun-01
7,587.84	47.91	U.S Equities	6.44	-6.12	-12.22	3.86	13.27	16.65	14.54
		Russell 3000 Index	6.88	-6.12	-13.94	4.24	13.76	16.99	14.96
2,971.23	18.76	International Equities	-0.13	-13.44	-23.33	1.06	5.32	6.78	8.5
2,850.03	18.00	Int'l Equities Developed Markets	-0.37	-13.95	-23.5	1.18	5.74	7.08	8.74
2,091.75	13.21	Active Equities	0.2	-13.81	-23.54	1.99	6.76	6.36	10.03
758.28	4.79	Passive Equities	-0.83	-14.33	-23.38	0.9	3.16	4.46	6.51
		EAFE	-1.05	-14.61	-23.61	-1.24	2.85	4.12	6.39
		TUCS International Equity Median	0.96	-10.41	-21.71	2.27	5.52	6.88	8.67
121.21	0.77	Emerging Markets	6.02	0.77	-19.16	-1.87	n/a	n/a	n/a
		MSCI Emerging Markets Free	4.01	-1.64	-25.82	1.48	n/a	n/a	n/a
		SIS Emerging Markets Median	5.97	-2.3	-29.08	2.89	n/a	n/a	n/a
63.95	0.4	Alternative Investments	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5,213.09	32.92	U.S Fixed Income	0.05	3.47	9.77	5.34	7.5	8.03	8.19
4,157.09	26.25	Structured Managed Program	0.41	3.59	11.81	6.21	8.01	8.3	8.45
		NYC Index	0.43	3.58	11.65	6.17	7.78	8.3	8.31
		SIS Fixed Income Median	0.59	3.62	10.9	6.31	7.52	7.89	8.19
874.41	5.52	Enhanced Yield	-2.06	2.83	0.26	0.61	5.73	n/a	n/a
		Salomon Bros BB&B Rated Index	-2.67	3.11	0.09	0.01	5.23	n/a	n/a
		TUCS Enhanced Yield Median	0	4.49	3.39	3.12	7.64	n/a	n/a
15,836.11	100.00	Total Portfolio	-2.92	-4.55	-8.24	4.17	10.65	12.7	11.75
		SIS Public Fund Median	3.54	-1.45	0.28	5.61	10.57	12.14	11.2

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND- SUBCHAPTER 2
ASSET ALLOCATION 6/30/91 to 6/30/01

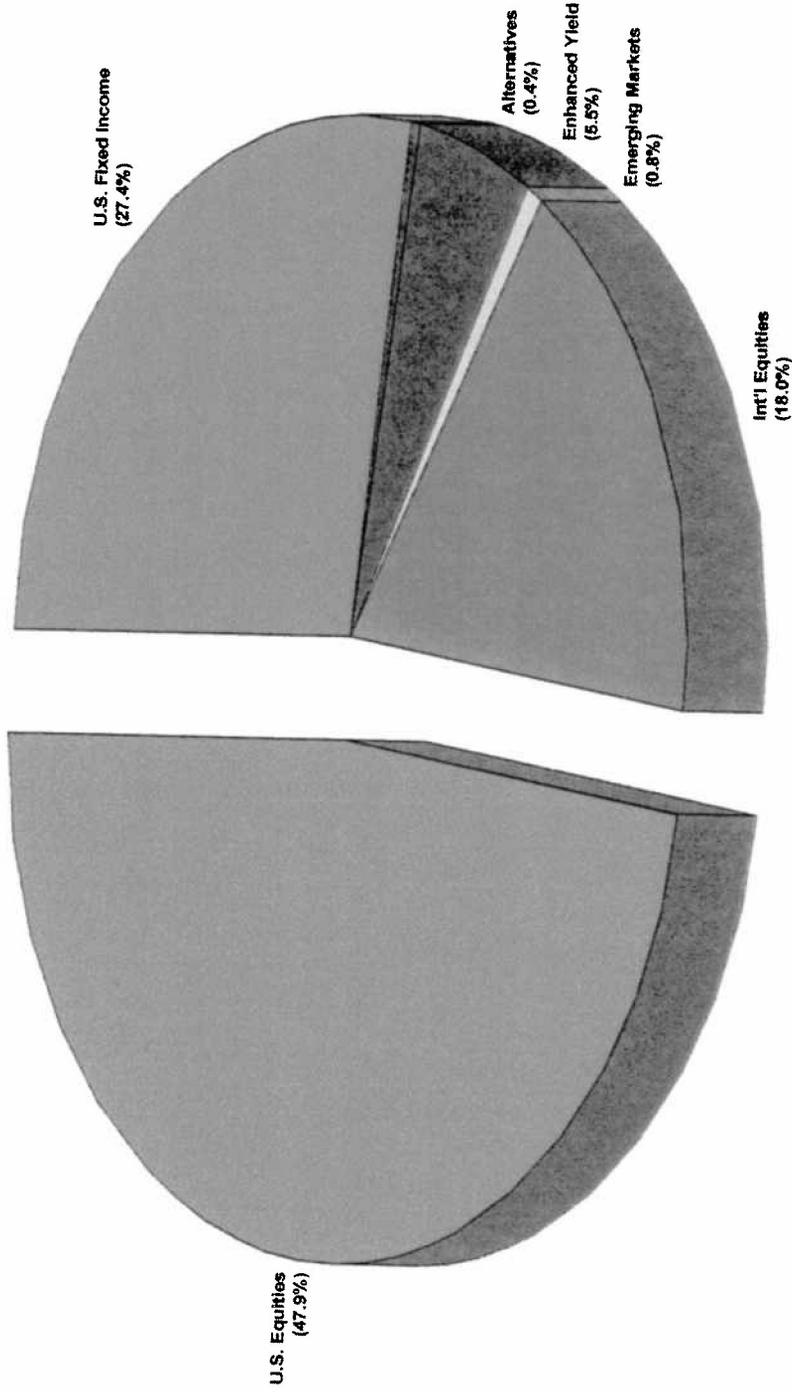
	US Equity	Int'l Equity	Domestic Fixed	Int'l Fixed	Cash	Total
06/30/91	49.00%	5.00%	43.00%	1.00%	2.00%	100.00%
06/30/92	48.80%	5.60%	41.80%	1.10%	2.70%	100.00%
06/30/93	50.80%	5.70%	41.30%	1.10%	1.10%	100.00%
06/30/94	51.00%	8.80%	37.00%	1.30%	1.90%	100.00%
06/30/95	53.00%	9.00%	34.40%	1.40%	2.20%	100.00%
06/30/96	57.08%	8.77%	30.25%	1.06%	2.84%	100.00%
06/30/97	57.40%	13.32%	27.82%	0.93%	0.53%	100.00%
06/30/98	57.24%	15.13%	27.08%	0.00%	0.55%	100.00%
06/30/99	56.00%	16.00%	27.00%	0.00%	1.00%	100.00%
06/30/00	61.63%	11.80%	26.57%	0.00%	0.00%	100.00%
06/30/01	48.30%	18.80%	32.90%	0.00%	0.00%	100.00%

NYC POLICE DEPARTMENT PENSION FUND ASSET ALLOCATION

June 30, 1987 - June 30, 2001



**NYC Police Department Pension Fund
Asset Allocation**

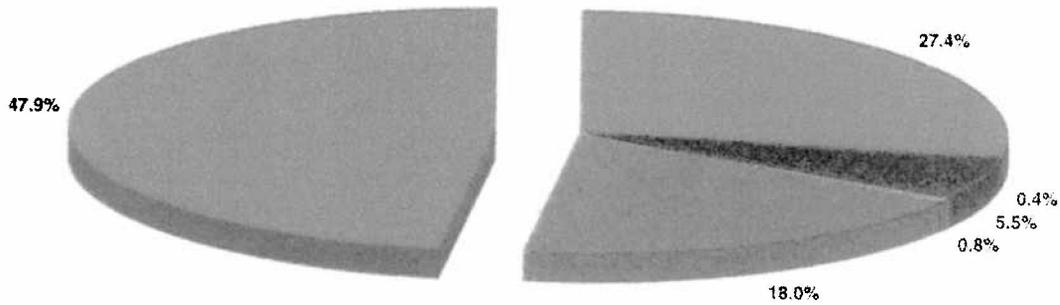


As of 6/30/01

NYC Police Department Pension Fund

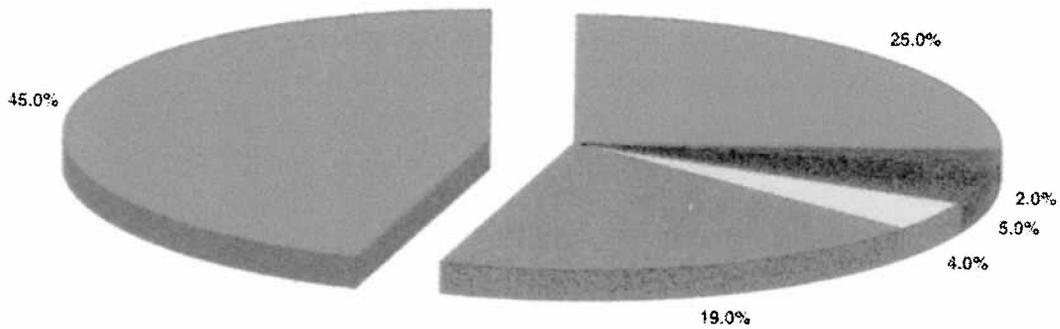
Asset Allocation and Policy Mix

Asset Mix



As of 6/30/01

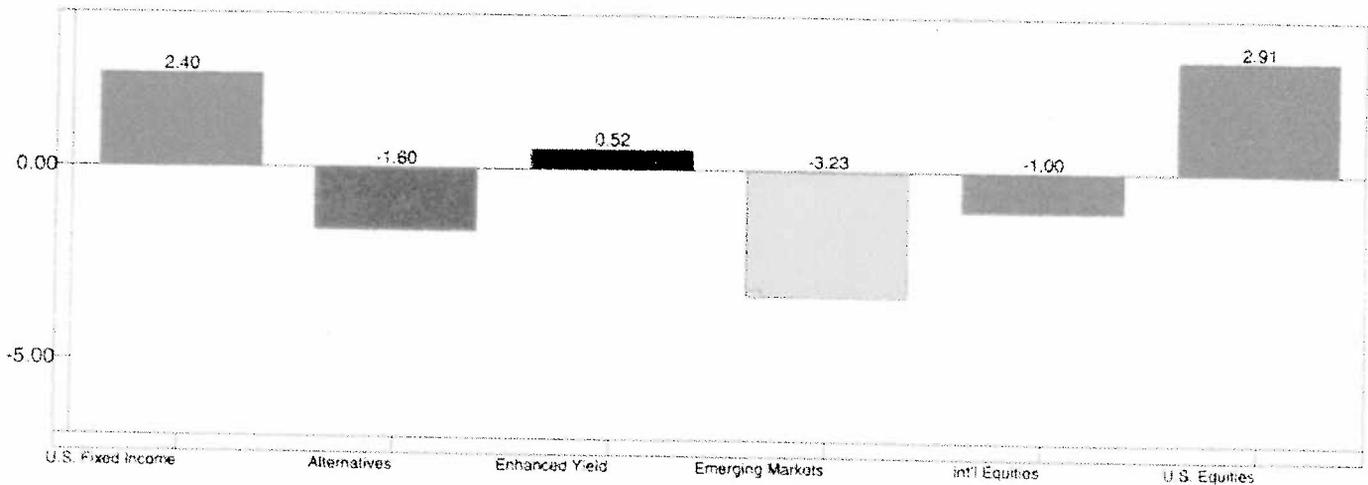
Policy Mix



As of 6/30/01

U.S. Fixed Income
 Alternatives
 Enhanced Yield
 Emerging Markets
 Int'l Equities
 U.S. Equities

Asset Mix Relative to Policy Mix



NEW YORK CITY POLICE DEPARTMENT
PENSION FUND SUBCHAPTER TWO

FIXED INCOME HOLDINGS
AS OF JUNE 30, 2001

CUSIP	DESCRIPTION	Rate	Maturity	Par/Face	Price	Market Value
31295WVNS	FEDERAL HOME LN MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	7.5	7/16/1931	99,000,000.00	102.08	101,082,170.00
912810DDT	FEDERAL HOME LN MTG CORP PC GOLD GROUP #AD-000001-521	6.5	7/16/1931	91,450,000.00	98.54	90,115,744.50
	FEDERAL HOME LN MTG CORP PC GOLD GROUP #TIBA	6	7/16/1931	53,000,000.00	96.13	50,946,250.00
	UNITED STATES TREASURY BONDS	6.25	11/16/2028	51,330,000.00	91.34	46,886,875.20
	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	6	7/16/1931	46,000,000.00	96.02	44,089,600.00
	FEDERAL HOME LN MTG CORP PC GOLD GROUP #TIBA	6	7/16/1931	45,280,000.00	98.13	43,506,175.00
912810DJ4	UNITED STATES TREASURY BONDS	10.38	11/15/2012	33,950,000.00	126.48	42,941,318.00
912810CV8	UNITED STATES TREASURY BONDS DUE 5/15/2014-09	6.38	8/15/2027	39,955,000.00	106	42,352,300.00
	FEDERAL HOME LN MTG CORP PC GOLD GROUP #TIBA	7	7/16/1931	41,000,000.00	101	41,410,000.00
	UNITED STATES TREAS NTS DTD 00870	6	8/15/2009	36,970,000.00	104.94	38,795,208.90
9128276E7	UNITED STATES TREAS NTS DTD 00874	6.25	8/15/2023	34,950,000.00	104.06	36,389,689.00
912810ET1	FEDERAL HOME LN MTG CORP PC GOLD GROUP #G0-000001-228	7	4/1/1931	35,996,424.12	100.59	36,209,852.92
912810DS4	FEDERAL HOME LN MTG CORP PC GOLD GROUP #TIBA	6.75	8/15/2026	33,417,000.00	110.89	37,056,111.30
912810EJ3	UNITED STATES TREASURY BOND DTD 8/15/85	8.88	2/15/2019	26,880,000.00	132.5	35,351,000.00
9128276J6	UNITED STATES TREAS NTS DTD 00874	6.5	2/15/2010	32,800,000.00	107.41	35,229,168.00
912810FM6	UNITED STATES TREASURY NOTES	7.25	5/15/2016	30,585,000.00	113.91	34,849,540.70
3136BHXF6	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	7.5	7/1/1930	33,710,000.00	102.08	34,412,179.30
3133MCHS7	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #C1-190678 REG	6.5	4/29/2009	32,505,000.00	99.55	32,357,752.35
3133MMAQ1	FEDERAL HOME LOAN BANK BONDS	6.5	11/15/2005	28,500,000.00	103.75	29,568,750.00
3134A55H5	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	6.63	9/16/2009	25,900,000.00	100.51	25,630,050.00
9128272M3	FEDERAL HOME LN MTG CORP DEB DTD 09/22/2000	12.75	11/15/2010	17,535,000.00	129.88	22,773,581.25
913025A55	UNITED STATES TREASURY INFLATION-INDEXED	6.25	5/15/1930	21,010,000.00	105.92	22,254,002.10
912810FP8	UNITED TELECOMMUNICATIONS INC KANS	8.88	8/15/2017	16,925,000.00	131.27	22,216,770.50
912810D1V	UNITED STATES TREASURY NOTES/BDS	8.75	8/15/2020	16,500,000.00	132.42	21,849,530.00
912810DD8	UNITED STATES TRY BONDS DTD 2/15/86	3.63	7/15/2002	18,200,000.00	112.5	20,474,344.80
3134AAAA2	FEDERAL HOME LN MTG CORP BONDS	0	7/22/2001	21,200,000.00	100	21,200,000.00
912810FF0	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	8.13	7/19/2016	21,000,000.00	96.02	20,164,200.00
9128276N7	UNITED STATES TREASURY BONDS	12.5	8/15/2021	15,975,000.00	125.66	20,073,546.00
3137AS5Y3	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #TIBA REG	7.5	7/1/1931	17,785,000.00	102.08	18,135,044.95
3133MCB79	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #WC-323163 REG	6.5	8/15/2014	12,390,000.00	145.59	18,038,972.70
3133M7A30	FEDERAL HOME LOAN BANK BONDS	6.5	7/1/1931	17,545,000.00	98.48	17,278,140.55
31298PSZ4	FEDERAL HOME LN MTG CORP PC GOLD GROUP #C5-000003-236	6.55	9/29/2001	17,100,000.00	100.45	17,177,463.00
31294J3T3	FEDERAL HOME LN MTG CORP PC GOLD GROUP #E0-000000-810	6.5	6/1/1931	15,998,400.00	100.45	17,177,463.00
89708PAC6	TROPICAL SPORTSWEAR INTL CORP SR SUB NT REG	6	6/1/2014	15,240,318.83	98.55	15,038,841.82
3133M6FJ4	FEDERAL HOME LOAN BANK BONDS	8.25	5/15/1931	15,320,000.00	97.71	14,968,589.20
912810FB9	UNITED STATES TREAS BDS DTD 11/15/1987	4.54	3/25/2021	14,700,265.50	99.87	14,681,743.17
912810DF2	FEDERAL HOME LN MTG CORP PC GOLD GROUP #E7-000008-135	6	2/15/2026	14,695,000.00	101.17	14,867,225.40
9128276T4	UNITED STATES TREASURY BONDS	6	7/1/2014	14,285,343.94	98.68	14,106,359.49
912810EP9	UNITED STATES TREAS NTS DTD 00883	6.88	8/15/2025	12,125,000.00	112.11	13,593,216.25
3128HDSC4	UNITED STATES TREASURY BONDS	5.63	5/15/2008	12,980,000.00	103.94	13,491,022.60
3133TKKF4	FEDERAL HOME LN MTG CORP PARTN CTF GROUP #84-000006-816	8.13	6/15/2021	10,315,000.00	125.66	12,961,416.40
912810ES3	FEDERAL HOME LN MTG CORP GD REMIC MULTICLASS MTG SER#1628 CL-KZ	7.62	9/1/1930	11,720,272.77	103.88	12,174,433.34
02635RUG2	UNITED STATES TREAS BDS	0	10/9/2001	12,300,000.00	98.88	12,161,625.58
3133TKEB9	AMERICAN GEN FIN CORP DISC COML PAPER 3/43 YRS 18.2	4.62	11/15/2021	41,080,000.00	29.2	11,996,592.40
	FEDERAL HOME LN MTG CORP GD REMIC MULTICLASS MTG SER #2145 CL PI	6.75	3/15/1931	11,475,000.00	99.64	11,957,210.00
				11,475,000.00	101.95	11,699,106.75

DO NOT USE; SEE CORREC

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND SUBCHAPTER TWO

FIXED INCOME HOLDINGS
AS OF JUNE 30, 2001

CUSIP	DESCRIPTION	Rate	Maturity	Par/Face	Price	Market Value
312915U68	FEDERAL HOME LN MTG CORP GD REMIC MULTICLASS MTG SER#1503 CL-PZ	6.75	3/15/1931	11,475,000.00	101.95	11,699,106.75
001957AW9	FEDERAL HOME LN MTG CORP PC GOLD GROUP #T/B/A	6	7/19/2016	12,000,000.00	96.13	11,535,000.00
181475AF1	AT&T CORP NT	6.5	3/15/2029	13,405,000.00	85.14	11,413,285.10
065050A99	CLARK MATERIAL HANDLING SENIOR NOTES	7.25	10/1/2010	10,825,000.00	103.81	11,236,891.25
06605WAC9	BANK AMER CORP SUB NT	7.4	1/15/2011	10,675,000.00	103.88	11,088,976.50
91311QAA3	BANKBOSTON CAP TR I CAP SECS SER BREG	7.4	1/15/2011	10,675,000.00	103.88	11,088,976.50
31374S2U4	UNITED UTILS PLC NT REG	6.13	8/15/2007	10,900,000.00	104.86	11,429,631.00
12869AF33	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #CI-323087 REG	11.25	2/15/2015	7,010,000.00	151.31	10,606,971.20
006848AS4	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #CL-050653 REG	8	5/1/2023	10,052,224.22	103.3	10,384,148.66
31378Z7K3	CWMBB INC PASS THRU CTS CHL MTG PASS THRU TR SER 98-17 CL A-1	6.5	11/25/2013	10,261,526.95	100.26	10,287,899.07
3134A3M78	ADELPHIA COMMUNICATIONS CORP SR NTSER B REG	10.88	10/1/2010	10,050,000.00	100.75	10,125,375.00
3137JMD3	FEDERAL HOME LN MTG CORP PARTN CTFGROUP #T/B/A	7.59	7/1/1931	10,055,000.00	100.51	10,106,280.50
91311QAB1	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #T/B/A REG	4.98	7/1/2008	10,798,000.00	93.1	10,053,281.94
105257AB5	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #CL-253356 REG	8	6/1/1930	9,558,854.65	103.3	9,874,488.03
912810EA2	BRAND SCAFFOLD SERVICES SENIOR NOTES	5.75	11/15/2005	9,395,000.00	102.42	9,622,452.95
312915WV3	UNITED STATES TREASURY BONDS	6.72	11/17/2005	9,640,000.00	99.81	9,621,925.00
312915WF4	FEDERAL HOME LN MTG CORP GD REMIC MULTICLASS MTG SER#1507 CL-QB	8.13	8/15/2019	7,560,000.00	124.52	9,413,334.00
161615PAK1	FEDERAL HOME LN ACQUISITION TR 2001-C2 MTG LN ASSET-BKD CTF CL IA-1 REG	7.43	9/1/1930	9,021,789.84	104.02	9,384,104.92
161215AE0	CHASE FDG LN ACQUISITION TR 2001-C2 MTG LN ASSET-BKD CTF CL IA-1 REG	7.1	4/10/2007	8,650,000.00	106.78	9,236,556.50
00209AAC0	CHARTER COMMUNICATIONS HLDGS LLC/CHARTER COMMUNICATIONS HLDGS CAP CORP SR NT REG	8.63	4/1/2009	9,780,000.00	94	9,193,200.00
31378NN87	CYPRESS MERCHANT BANK DOMESTIC ALTERNATIVE INVESTMENT HELD ELSEWHERE-POLICE	8.63	4/1/2009	9,780,000.00	94	9,193,200.00
065237AE1	AIRTEL WIRELESS SVCS INC SR NT 144A REG	8.75	3/1/1931	8,705,000.00	103.9	9,178,302.00
918005AY6	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #WD-403715 REG	7	4/13/1930	8,885,000.00	101.77	9,044,843.20
31298PU81	BA MASTER CR CARD TR ASSET BACKED CTF SER 1998-A CL A FLTG REG	3.94	4/15/2005	9,000,000.00	100.09	9,007,560.00
912810EV6	UTILICORP LTD INC SR NT REG	5.38	2/15/1931	9,420,000.00	94.75	8,925,450.00
25746UAG4	FEDERAL HOME LN MTG CORP PC GOLD GROUP #C5-000003-307	6	2/1/2029	9,253,660.27	96.28	8,909,518.84
2546R0W71	UNITED STATES TREASURY BONDS	7.88	2/15/2021	7,145,000.00	122.55	8,765,911.70
3133M8M92	DOMINION RESOURCES INC NOTES	5.75	4/15/2008	8,670,000.00	99.31	8,610,350.40
26166PAC7	DISNEY WALT CO NEW DISC COMML PAPER 3/13 YRS 1&2	4.08	9/7/2001	8,400,000.00	98.7	8,290,454.87
0138177AB7	FEDERAL HOME LOAN BANK BONDS	6.04	10/14/2008	8,695,000.00	94.17	8,189,255.40
31374JGX8	FEDERAL HOME LOAN BANK BONDS	5.04	10/14/2008	8,685,000.00	94.17	8,188,255.40
161177PA7	DEUTSCHE TELEKOM INTL FIN BV GTDNT REG	8.25	6/15/1930	8,060,000.00	101.46	8,177,273.00
16161ABY3	UNITED STATES TREASURY BONDS DTD 11/15/1982	8	5/1/2014	8,158,187.03	98.68	8,050,316.06
161177PAV2	ALCOA INC	7.38	8/1/2010	7,360,000.00	105.23	7,744,707.20
06423AAJMS	FEDERAL NAT MTG ASSN GTD PASS THRUCTF POOL #WS-313974 REG	6.5	7/1/2016	7,525,000.00	100.33	7,550,133.50
3133MABK4	UNITED STATES TREASURY BONDS	10.75	11/15/2018	5,500,000.00	133.37	7,357,130.00
912810CP1	CHARTER COMMUNICATIONS HLDGS LLC/CHARTER COMMUNICATIONS HLDGS CAP CORP SR NT REG	10.75	10/1/2009	7,080,000.00	103.75	7,345,500.00
3133M6QA9	CHARTER COMMUNICATIONS HLDGS LLC/CHARTER COMMUNICATIONS HLDGS CAP CORP SR NT REG	10.75	10/1/2009	7,080,000.00	103.75	7,345,500.00
161177PAF7	CHASE MANHATTAN CORP	10.75	10/1/2009	7,080,000.00	103.75	7,345,500.00
161177PAF7	CHASE MANHATTAN CORP SUB NOTES DTD 02/23/1999	9.92	4/1/2011	10,550,000.00	101.39	7,147,995.00
161177PAF7	CHARTER COMMUNICATIONS HLDGS SR NOTES	9.92	4/1/2011	10,550,000.00	101.39	7,147,995.00
161177PAV2	CHARTER COMMUNICATIONS HLDGS LLC/CHARTER COMMUNICATIONS HLDGS CAP CORP SR NT REG	9.92	4/1/2011	10,550,000.00	101.39	7,147,995.00
06423AAJMS	BANK ONE CORP	6.5	2/1/2006	7,050,000.00	102.05	7,143,290.00
3133M8JES	FEDERAL HOME LOAN BANK BONDS	6.5	11/13/2009	7,000,000.00	102.05	7,143,290.00
3133MABK4	FEDERAL HOME LOAN BANK BONDS	6.5	11/13/2009	7,000,000.00	102.05	7,143,290.00
912810CP1	UNITED STATES TREASURY BONDS	8	11/15/2021	5,850,000.00	124.56	7,037,753.00
3133M6QA9	FEDERAL HOME LOAN BANK BONDS	6.8	9/2/2008	7,000,000.00	98.97	6,927,830.00

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND CHAPTER TWO

EQUITY HOLDINGS
AS OF JUNE 30, 2001

CUSIP	DESCRIPTION	SHARES	PRICE	MARKET VALUE
0000000000	BIAM GROUP TRUST FUND	13,966,262.60	28.78	401,632,457.63
0000000000	BANKERS TRUST PYRAMID	4,140,873.15	0	379,229,444.18
99F621AAB	NY SAF EAFE INDEX FUND	21,686,776.22	17.48	379,062,318.16
938322103	NEW YORK CITY EMPLOYEES INT'L COMMINGLED FUND	11,212,246.66	30.69	342,982,694.43
962166104	WASHINGTON MUT INC COM	686,379.00	30.82	297,736,227.92
368604103	WEYERHAEUSER CO COM	139,650.00	49.5	287,630,467.95
0000000000	GENERAL ELEC CO COM	5,399,226.00	48.75	263,212,218.75
30231G102	GE INVESTMENT INTL FUND	9,289,077.88	25.23	234,335,667.68
172967101	EXXON MOBIL CORP COM	2,342,866.00	87.36	204,649,345.10
694918104	CITIGROUP INC COM	3,612,042.00	52.84	190,660,299.28
717081103	MICROSOFT CORP COM (WA)	2,669,968.00	73	186,876,934.00
00184A106	PEIZER INC COM	3,643,966.00	40.06	141,936,838.30
469200101	AOL TIME WARNER INC COM	2,442,744.00	63	129,466,432.00
469140100	INTERNATIONAL BUSINESS MACHS CORP COM	1,060,900.00	113	119,881,700.00
026874107	INTEL CORP COM	3,974,618.00	29.25	116,264,661.60
808613106	AMERICAN INTL GROUP INC COM	1,160,821.00	86.01	98,681,393.21
689331107	SCHWAB CHARLES CORP NEW COM	997,904.00	40.6	84,696,733.32
478160104	MERCK & CO COMMON	1,292,900.00	63.91	82,629,239.00
718164107	JOHNSON & JOHNSON COM	1,590,291.96	50	79,614,698.00
17276R102	PHILIP MORRIS COMPANIES INC COM	1,499,366.00	60.75	76,092,317.00
313686109	CISCO SYS INC COM	4,149,662.00	18.2	76,523,666.40
060605104	FANNIE MAE	804,000.00	85.16	68,460,600.00
110122108	BANK AMER CORP COM	1,131,666.00	60.03	67,933,849.95
990002AD9	BRISTOL MYERS SQUIBB CO COM	1,294,660.00	52.3	67,710,718.00
46626H100	NEW YORK CITY RETIREMENT SYSTEMS SHORT TERM INVESTMENT FUND	64,813,202.32	1	64,813,202.32
437076102	PICTET INTERNATIONAL EMERGING EQUITY MARKETS TRUST	7,600,000.00	0	61,733,817.14
0000000000	J P MORGAN CHASE & CO COM	1,378,176.00	44.6	61,466,649.60
98167D106	HOME DEPOT INC COM	1,283,697.00	46.66	60,751,440.36
742718109	GENESIS GROUP TRUST EMERGING MARKETS FUND	417,024.31	142.69	60,464,372.11
001967109	WORLD COM INC GA NEW COM	2,079,684.00	46.85	56,166,906.70
191216100	PROCTER & GAMBLE CO COM	870,327.00	63.8	55,526,862.80
079860102	AT&T CORP COM	2,396,986.00	22	52,711,692.00
166761107	COCA COLA CO COM	1,126,168.00	45	50,677,660.00
002824100	BELLSOUTH CORP COM	1,221,248.00	40.27	49,179,656.96
028609107	CHEVRON CORP COM	642,900.00	90.5	49,132,460.00
264687106	MORGAN STANLEY DEAN WITTER & CO COM	767,842.00	64.23	48,676,191.66
617446448	ABBOTT LABORATORIES COM.	964,500.00	48	46,296,000.00
632457108	AMERICAN HOME PRODUCTS CORP COM	710,600.00	58.76	41,741,876.00
713448108	DISNEY (WALT) HLDG COMPANY	1,447,121.00	28.89	41,807,326.69
	ORACLE CORPORATION	2,070,120.00	19	39,332,280.00
	LILLY ELI & CO COM	624,424.00	74	38,807,376.00
	PEPSICO INC COM US\$0.01 2/3	876,600.00	44.2	38,741,300.00

NEW YORK CITY POLICE DEPARTMENT
PENSION FUND CHAPTER TWO

EQUITY HOLDINGS
AS OF JUNE 30, 2001

<u>CUSIP</u>	<u>DESCRIPTION</u>	<u>SHARES</u>	<u>PRICE</u>	<u>MARKET VALUE</u>
313400301	FREDIE MAC	563,300.00	68.05	38,332,565.00
590188108	MERRILL LYNCH & CO INC COM	629,100.00	59.25	37,274,175.00
268648102	EMC CORP MASS COM	1,267,986.00	29.25	37,088,590.50
025816109	AMERICAN EXPRESS CO COM	927,746.00	38.8	35,996,544.80
	FLEETBOSTON FINL CORP COM	908,949.00	39.45	35,858,038.05
	F/KIA FLEET BOSTON CORP			
247025109	DELL COMPUTER CORP COM	1,324,300.00	26.15	34,630,445.00
031162100	AMGEN INC COM US\$0.0001	538,400.00	60.68	32,670,112.00
	F/KIA/AMGEN COM			
263534109	DU PONT E I DE NEMOURS & CO COM	669,480.00	48.24	32,295,715.20
001957208	AT&T CORP COM LIBERTY MEDIA GROUP SER A	1,807,742.00	17.49	31,617,407.58
428236103	HEWLETT PACKARD CO COM	1,084,085.00	28.6	31,004,831.00
06423A103	BANK ONE CORPORATION NEW COM	858,711.00	35.8	30,741,853.80
	F/KIA BANC ONE CORP COM			
585055106	MEDTRONIC INC COMMON	664,796.00	46.01	30,587,263.96
604059105	MINNESOTA MINING & MFG CO COM	266,100.00	114.1	30,362,010.00
983919101	XILINX INC COM	229,500.00	59	29,531,512.80
345370880	FORD MTR CO DEL COM PAR \$0.01	1,196,245.00	24.55	29,367,814.75
097023105	BOEING CO COM	495,892.00	55.6	27,571,595.20
200300200	COMCAST CORP CL A SPL COM	627,674.00	43.4	27,241,051.60
71713U102	PHARMACIA CORP	579,106.00	45.95	26,609,920.70
	F/KIA: MONSANTO CO			
808655104	SCIENTIFIC ATLANTA INC	97,456.00	21.88	25,425,984.00
038222105	APPLIED MATERIALS INC COM	517,097.00	49.1	25,389,462.70
580135101	MCDONALDS CORP COM	918,820.00	27.06	24,863,269.20
620076109	MOTOROLA INC.COMMON	1,439,573.00	16.56	23,839,328.88
14149Y108	CARDINAL HEALTH INC	345,374.00	69	23,830,806.00
	F/KIA CARDINAL DISTR INC COM			
494368103	KIMBERLY CLARK CORP COM	421,045.00	55.9	23,536,415.50
184502102	CLEAR CHANNEL COMMUNICATOIONS INC COM	369,006.00	62.7	23,136,676.20
370442105	GENERAL MOTORS CORP COM	357,467.00	64.35	23,003,001.45
747525103	QUALCOMM INC COM	393,300.00	58.48	23,000,184.00
337358105	FIRST UNION CORP COM	640,988.00	34.94	22,396,120.72
293561106	ENRON CORP COM	449,056.00	49.1	22,048,649.60
969133107	WILLAMETTE INDUSTRIES INC COM	63,300.00	32.95	22,018,531.45
375766102	GILLETTE CO COM	745,284.00	28.99	21,605,783.16
138171011	ALCOA INC COM	546,024.00	39.4	21,513,345.60
718131080	BAXTER INTL INC COM	424,328.00	50.5	21,428,564.00
	F/KIA BAXTER TRAVENOL LABS INC COM			
352291030	ANHEUSER BUSCH COS INC COM	516,056.00	41.2	21,261,507.20
640571020	BANK NEW YORK INC COM F/KIA BANK OF NEW YORK NY	442,800.00	48	21,254,400.00
204493100	COMPAQ COMPUTER CORP COM	1,327,187.00	15.32	20,332,504.84

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

INVESTMENT SUMMARY

YEAR ENDED JUNE 30, 2001

(In Thousand)

Type of Investment:	Market Value	Percental of total Market Value
Fixed Income:		
Corporate Bonds	2,150,991	13%
U.S Government Securities	2,968,622	18%
Other: Foreign	364,900	2%
Total Fixed Income	<u><u>5,484,513</u></u>	<u><u>33%</u></u>
Domestic Equities:	7,565,142	46%
International Equities:	2,971,223	18%
Private Equity-Other	42,473	0%
Short Term Investments:		
Short Term Investments	289,244	2%
Commercial Paper	147,614	1%
Discount Notes	33,362	0%
Total Short-Term	<u><u>470,220</u></u>	<u><u>0%</u></u>
Total Market Value*	<u><u>16,533,571</u></u>	<u><u>100%</u></u>

Security lending transactions of \$1,989,184 not included in total

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

MANAGEMENT FEES
AS OF JUNE 30, 2001

INTERNATIONAL**ACTIVE**

BANK OF IRELAND ASSET MGT (US) LTD/CHASE	\$994,164	\$115,016	\$1,109,180
CAPITAL GUARDIAN TRUST CO/CHASE	1,356,301	135,843	1,492,144
DELAWARE MGT. CO.	358,645		358,645
GE INVESTMENT MGMT. INC./ST. STREET BK& TR	607,702		607,702
INVISTA CAPITAL MGT.	142,462		142,462
OECHSLE INT'L ADVISORS	428,441		428,441
PUTNAM ADVISORY CO.	312,399		312,399
ROWE PRICE-FLEMING	833,874		833,874
SCHRODER TRUST COMPANY/BROWN BROS.	503,395	213,373	716,768
SCUDDER TRUST COMPANY/BROWN BROS	836,104	268,013	1,104,117

TOTAL ACTIVE	\$6,373,487	\$732,245	\$7,105,732
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EMERGING MARKETS

BANKERS TRUST/DEUTSCHE	9,680	13,000	22,680
BARCLAYS GLOBAL INVESTORS, N.A.	141,577	94,224	235,801
SUBTOTAL INDEX	\$151,257	\$107,224	\$258,481

GENESIS ASSET MGRS LTD/BANKERS TRUST	368,694	56,827	425,521
PICTECT INT'L MGT LTD/BROWN BROS.	658,129	193,387	851,516
SUBTOTAL EMERGING MARKETS	\$1,026,823	\$250,214	\$1,277,037

TOTAL INTERNATIONAL	\$7,551,567	\$357,438	\$1,535,518
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NEW YORK CITY POLICE DEPARTMENT PENSION FUND-SUBCHAPTER 2

REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 2001

MANAGEMENT FEES
AS OF JUNE 30, 2001EQUITY

BANKERS TRUST COMPANY/INDEX	\$50,000		\$50,000
MERRILL LYNCH ASSET MGMT/INDEX 3000	37,500		37,500
MERRILL -VALUE R 1000	17,000		17,000
EQUITY INDEX	\$104,500		\$104,500
AMERICAN EXPRESS/GROWTH	596,000		596,000
FIDELITY MGMT. TRUST COMPANY/GROWTH	1,960,000		1,960,000
LOOMIS SAYLES & CO. L.P./GROWTH	748,000		748,000
SUBTOTAL GROWTH	\$3,304,000		\$3,304,000
SUBTOTAL US EQUITY	\$3,408,500		\$3,408,500
ALTERNATIVE INVESTMENTS	\$2,654,265		\$2,654,265
TOTAL US EQUITY	\$6,062,765		\$6,062,765

FIXED INCOME

FISCHER, FRANCIS, TREES & WATTS, INC.	\$248,719	\$35,000	\$283,719
LINCOLN CAPITAL MANAGEMENT CO/GOVT	61,273	7,000	68,273
PBMCO	271,467	85,000	356,467
SUBTOTAL GOVERNMENT	\$581,459	\$127,000	\$708,459
BLACKROCK	276,903		276,903
LINCOLN CAPITAL MGMT CO/MORT	247,526	(8,000)	239,526
PACIFIC INVESTMENT MGMT. CO.	492,110	460,000	952,110
SUBTOTAL MORTGAGE	1,016,539	452,000	1,468,539
BLACKROCK	105,701		105,701
CREDIT SUISSE	204,276	125,000	329,276
T. ROWE PRICE ASSOCIATES, INC.	259,306		259,306
SUBTOTAL CORPORATE	569,283	125,000	694,283

NEW YORK CITY POLICE DEPARTMENT PENSION FUND- SUBCHAPTER 2

REPORT ON INVESTMENT MANAGEMENT FEES

June 30, 2001

MANAGEMENT FEES
AS OF JUNE 30, 2001

	EST. 2001 BASE FEES	PERF/CUST FEES	TOTAL FEES
FISCHER, FRANCIS, TREES & WATTS/YANKEE	104,881	(106,000)	(319)
PRUDENTIAL	64,850	44,000	108,850
SUBTOTAL YANKEE	169,731	(61,000)	108,731
SUBTOTAL FL. STRUCTURED PROG.	2,336,812	643,000	2,979,812
ENHANCED YIELD			
ALLIANCE CAPITAL MGMT. L.P.	230,453		230,453
CREDIT SUISSE/BEA ASSOCIATES	406,224		406,224
LOOMIS SAYLES & CO. L.P.	1,105,250		1,105,250
W.R. HUFF ASSET MGMT. CO. LLC	893,308		893,308
SUBTOTAL ENH. YLD.	2,635,235		2,635,235
TOTAL US FIXED INC.	4,972,047	643,000	5,615,047
CONSULTANTS			
PACIFIC CORP. GROUP	237,386		237,386
BUCK CONSULTING	100,000		100,000
STRATEGIC INVESTMENT SOLUTIONS, INC.	152,708		152,708
TOTAL CONSULTANTS	490,094		490,094
CUSTODIANS			
CITIBANK		533,895	533,895
TOTAL CUSTODY		\$533,895	\$533,895
TOTAL - ASSET MANAGEMENT			
INTERNATIONAL	\$7,551,567	\$1,089,683	\$8,641,250
EQUITY	3,408,500		3,408,500
ALTERNATIVE INV.	2,654,265		2,654,265
FIXED INCOME	4,972,047	643,000	5,615,047
CONSULTANT	490,094		490,094
OTHER		533,895	533,895
TOTAL COSTS PAID BY SYSTEM FISCAL YEAR 2001	\$ 19,076,473	\$ 2,266,578	\$21,343,051
NET CHANGE DUE TO ACCRUED EXPENSES	\$ 670,210		\$ 670,210
TOTAL INVESTMENT EXPENSES INCURRED BY SYSTEM	\$ 19,746,683	\$ 2,266,578	\$ 22,013,261

**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, 2001



OFFICE OF THE ACTUARY

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

ROBERT C. NORTH, JR.
CHIEF ACTUARY

November 30, 2001

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, 2001

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 based on actuarial valuations performed annually as of June 30.

Actual employer contributions for Fiscal Year 2001 were less than the annual pension costs. This relationship occurs because Chapter 125 of the Laws of 2000 ("Chapter 125/00"), which provides eligible retirees and eligible beneficiaries with automatic cost-of-living adjustments ("COLA") beginning September 2000, also provides for a phase-in schedule for funding the additional liabilities created by the benefits provided by Chapter 125/00.

The annual pension costs were computed in accordance with Governmental Accounting Standards Board Statement Number 25 ("GASB 25") and consistent with generally accepted actuarial principles.

Board of Trustees
New York City Police Department,
Subchapter Two Pension Fund
November 30, 2001
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Actuarial Assumptions and Methods in effect June 30, 2000

Provided in this Actuarial Section of the CAFR is a "Summary of Actuarial Assumptions and Methods in Effect as Of June 30, 2000." These actuarial assumptions and methods were employed in the June 30, 2000 actuarial valuation that was used to determine Fiscal Year 2001 employer contributions to the Plan.

These actuarial assumptions and methods are generally the same as those employed in the June 30, 1999 actuarial valuation that was used to determine Fiscal Year 2000 employer contributions to the Plan.

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, 2000 is included in this CAFR. A summary of the census data used in the June 30, 1999 actuarial valuation of the Plan is available in the June 30, 2000 CAFR.

Funded Status

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

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

Presentation Style and Sources of Information

The actuarial information herein is being presented in a manner believed to be consistent with the requirements of the GFOA and with 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:

- Schedule of Funding Progress - prepared by the Office of the Actuary.
- Schedule of Employer Contributions - prepared by the Plan's Administrative Staff.
- Actuarial Methods and Assumptions - prepared by the Office of the Actuary.

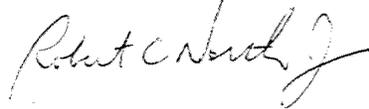
The following supporting schedules in the Actuarial Section of the CAFR were prepared by the Office of the Actuary.

- Summary of Actuarial Assumptions and Methods in Effect as of June 30, 2000.
- Schedule of Active Member Valuation Data.
- Schedule of Retirants and Beneficiaries Added to and Removed from Rolls.

Board of Trustees
New York City Police Department,
Subchapter Two Pension Fund
November 30, 2001
Page 4

- Schedule of Actual vs. Required Contributions.
- Comparative Summary of Actuarial Values and Percentages Covered by Actuarial Value of Assets - Solvency Test.

Respectfully Submitted,



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

RCN/aw

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 2000

- (1) The investment rate of return assumption is 8.0% 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 3.0% per annum.
- (5) The economic assumptions (i.e., the assumed investment return rate, the General Wage Increase rate and cost-of-living adjustments ("COLA")) were developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year. The COLA assumption is 1.3% per annum.
- (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 Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the contribution from the employer. Under this Actuarial Cost Method, the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the Unfunded Actuarial Accrued Liability ("UAAL") not less than \$0.

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 UAAL, if any, and present value of future employee contributions 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, 2000
(Continued)

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

Chapter 85 of the Laws of 2000 ("Chapter 85/00") reestablished the UAAL and eliminated the Balance Sheet Liability ("BSL") as of June 30, 1999. The schedules of payment toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first annual payment equals 103% of its preceding annual payment.

- (8) The Actuarial Asset Valuation Method ("AAVM") was changed as of June 30, 1999 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, 1999.

This AAVM recognizes expected investment returns immediately and phases in investment returns greater or less than expected (i.e., Unexpected Investment Returns ("UIR")).

Under this AAVM, any UIR for Fiscal Years 2000 and 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).

- (9) The obligations of the Plan to the Police Officers' Variable Supplements Fund ("POVSF") and the Police Superior Officers' Variable Supplements Fund ("PSOVSF") are recognized through the use of the Liability Valuation Method.

Under this methodology the Present Value of the potential excess earnings transfers from the Plan to the POVSF and PSOVSF are included directly as an actuarial liability of the Plan. This amount is computed as the excess, if any, of the Actuarial Present Value of Benefits of the POVSF and PSOVSF offset by the Actuarial Value of Assets of the POVSF and PSOVSF, respectively.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT AS OF JUNE 30, 2000
(Continued)

- (10) Based upon a review of the latest actuarial study, the Actuary proposed changes to certain actuarial assumptions and methods to be used by the Plan for Fiscal Years beginning on and after July 1, 1999 (i.e., Fiscal Year 2000). These proposed changes in actuarial assumptions and methods are generally based upon recommendations made by the Actuary in a Report dated December 27, 1999. The Actuary's Report took into account an actuarial experience study and recommendations made by the independent actuarial auditor, Watson Wyatt and Company, in a report entitled Report on the Experience Study of the New York City Retirement Systems for the Four Years ended June 30, 1997 dated October 1999. Where required, the Board of Trustees of the Plan adopted those changes to actuarial assumptions and methods that required Board approval and the New York Legislature and Governor enacted Chapter 85/00 to provide for those changes to the actuarial assumptions and methods that required legislation, including the investment rate of return assumption of 8.0% per annum.
- (11) Distinct male and female probabilities for mortality are used effective June 30, 1995.
- (12) 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) was 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.
- (13) The salary data as of June 30, 2000 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, 2000
(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	.1151%	.0677%	.1477%	.0817%
50	.2781	.2205	.4574	.2788
60	1.0416	.7143	1.2209	.8895
70	2.2892	1.7416	2.7024	2.1653
80	5.1995	4.6138	6.0431	5.6527
90	13.7899	12.2729	16.4676	15.1220
100	30.1977	28.6331	36.7152	34.8130
110	100.0000	100.0000	100.0000	100.0000

Table 2

Retirements and Deaths after Eligibility for Service Benefits

Percentage of Eligible Active Members Retiring
Or Dying within Next Year

<u>Age</u>	<u>Service Retirement</u> <u>Years Of Service Since Eligibility</u>			<u>Accident</u> <u>Disability</u> <u>Retirement</u>	<u>Ordinary</u> <u>Disability</u> <u>Retirement</u>	<u>Ordinary</u> <u>Death</u>		<u>Accidental</u> <u>Death</u>
	<u>0-1</u>	<u>1-2</u>	<u>2+</u>			<u>Males</u>	<u>Females</u>	
40	40.00%	20.00%	12.00%	1.60%	.30%	.1151%	.0645%	.02%
45	40.00	20.00	12.00	1.80	.40	.2030	.0980	.02
50	40.00	20.00	12.00	2.00	.50	.3635	.1598	.02
55	40.00	20.00	12.00	2.50	1.00	.5702	.2465	.01
60	40.00	20.00	12.00	4.00	6.00	.8517	.4114	.00
63	100.00	100.00	100.00	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, 2000
 (Continued)

Table 3

Withdrawals from Active Service before Eligibility for Service Benefits

Percentage of Active Members Separating within Next Year

<u>Age</u>	<u>Withdrawal</u>	<u>Accidental Disability</u>	<u>Ordinary Disability</u>	<u>Ordinary Death</u>		<u>Accidental Death</u>
				<u>Males</u>	<u>Females</u>	
20	3.00%	.20%	.01%	.0351%	.0183%	.02%
25	2.50	.35	.05	.0432	.0245	.02
30	1.50	.70	.10	.0565	.0332	.02
35	0.75	1.40	.20	.0800	.0462	.02
40	0.50	1.60	.30	.1151	.0645	.02
45	0.50	1.80	.40	.2030	.0980	.02
50	0.50	2.00	.50	.3635	.1598	.02
55	0.50	2.50	1.00	.5802	.2465	.01
60	0.50	4.00	6.00	.8517	.4114	.00

Table 4

Salary Scale

<u>Years Of Service</u>	<u>Assumed Annual Percentage Increases Within Next Year*</u>
0	9.50%
5	4.00
10	4.30
15	4.50
20	4.00
25	4.00
30	4.00
35	4.00
40	4.00

* Salary Scale includes an assumed General Wage Increase rate of 3.0% per annum.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll*</u>	<u>Annual Average Pay</u>	<u>Percentage (Decrease) in Average Pay</u>
6/30/95	36,204	\$1,844,884,786	\$50,958	7.1%
6/30/96	36,778	1,919,993,340	52,205	2.4
6/30/97	38,217	2,036,450,133	53,286	2.1
6/30/98	38,133	2,091,062,671	54,836	2.9
6/30/99	39,107	2,331,956,949	59,630	8.7
6/30/00	40,451	2,465,690,705	60,955	2.2

* 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

<u>Year Ended</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls end of Year</u>		<u>% Increase In Annual Allowances</u>	<u>Average Annual Allowances</u>
	<u>Number</u>	<u>Annual Allowances</u>	<u>Number</u>	<u>Annual Allowances</u>	<u>Number</u>	<u>Annual Allowances</u>		
6/30/95	1,009	\$43,191,422	528	\$ 8,946,990	31,455	\$681,347,440	5.3%	\$21,661
6/30/96*	4,875	64,254,160	895	10,156,142	35,435	735,445,458	7.9	20,755
6/30/97	853	66,419,315	1,008	12,070,279	35,280	789,794,494	7.4	22,386
6/30/98	736	38,976,977	969	13,305,136	35,047	810,425,042	2.6	23,124
6/30/99	682	60,850,228	990	14,695,539	34,739	856,579,731	5.7	24,658
6/30/00	832	41,398,525	935	15,698,156	34,636	882,280,100	3.0	25,473

* 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

(Dollar amounts in thousands)

<u>Fiscal Year Ended</u>	<u>Actual Employer Contribution*</u>	<u>Required Employer Contribution</u>	<u>Employer Rate of Contribution**</u>
6/30/96	\$562,360 ⁽¹⁾	\$562,360	30.482%
6/30/97	539,844 ⁽²⁾	539,844	28.117
6/30/98	544,199 ⁽³⁾	544,199	26.723
6/30/99	502,060	502,060	24.010
6/30/00	250,021 ⁽⁴⁾	250,021	10.722
6/30/01	413,156 ⁽⁵⁾	543,758	16.756

* 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 1996 plus \$23,376 thousand deferred from Fiscal Year 1995 and adjustments for delayed payments.

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

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

(4) Represents total employer contributions made during Fiscal Year 2000 net of \$189,225 thousand deferred to Fiscal Year 2001 and adjustments for delayed payments.

(5) Represents the actual contributions of \$413,156 thousand for Fiscal Year 2001 computed in accordance with Chapter 125/00 which provides for a five year phase-in of the liabilities attributable to Chapter 125/00.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES
COVERED BY ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST
(Dollar amounts in thousands)

As of June 30	Aggregate Accrued Liabilities for			Actuarial Value of Assets (D)	Percentage of Actuarial Values Covered by Actuarial Value of Assets		
	Accumulated Employee Contributions (A)	Current Retirants and Beneficiaries (B)	Active Members' Employer Financed Portion (C)		(A)	(B)	(C)
1995*	\$ 603,172	\$6,466,108	\$3,881,408	\$ 9,632,930	100%	100%	66%
1996	687,266	6,845,419	3,875,443	10,342,907	100	100	73
1997	766,395	7,021,580	4,145,516	11,237,636	100	100	83
1998	850,917	7,333,829	4,453,381	12,397,792	100	100	95
1999*	947,614	8,121,653	6,368,689	16,877,765	100	100	100
2000	1,051,312	9,733,708	6,290,250	17,601,913	100	100	100

* As of June 30, 1995 and June 30 1999, economic and non-economic assumptions were revised due to experience review and the Actuarial Values of Assets were reset to Market 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 ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST - NOTES

The ultimate test of financial soundness in a retirement system is its ability to pay all of its promised benefits when due. The retirement system's progress in accumulating assets to pay all promised benefits can be measured by comparing the Valuation Assets of the retirement system with the Aggregate Accrued Liabilities for:

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

The Aggregate Accrued Liabilities are the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service. The Aggregate Accrued Liabilities were calculated in accordance with previously issued Government Accounting Standards Board Statement No. 25.

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

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

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

<u>Valuation Date</u> <u>June 30</u>	<u>Assumed Annual Rate of Return On Investments</u>	<u>Merit and Promotion Increases Plus an Assumed General Wage Increase Per Year of</u>
1995	8.50%	4.0%
1996	8.75	4.0
1997	8.75	4.0
1998	8.75	4.0
1999	8.00	3.0
2000	8.00 78	3.0

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SUMMARY OF PLAN PROVISIONS IN EFFECT AS OF JUNE 30, 2000

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 5.0% of the member's salary, pursuant to the provisions of Section 13-226 of the Code, accumulated with regular and additional interest.

Chapter 373 of the Laws of 2000 increased the ITHP contribution rate to 5.0% from 2.5% for certain members. However, a collective bargaining agreement must take effect before the ITHP increase is implemented for those members covered by labor agreements.

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 - For a member who joined prior to July 1, 1973, Final Salary equals the annual rate of salary earnable on the date of retirement. For a member who joined after June 30, 1973, Final Salary equals the salary earned during the one-year period prior to retirement. However, if the salary earned during the one-year period prior to retirement exceeds the previous one-year period prior to retirement by more than twenty percent, the amount in excess of twenty percent is excluded from the computation. (A collective bargaining agreement must take effect before the revised definition of Final Salary is used in the computation of certain benefits for members who joined after June 30, 1973 and are implemented for those members covered by labor agreements.)

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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

BENEFITS

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

I. SERVICE RETIREMENT

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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

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

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

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

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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 member's 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 5 years of service, 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 with less than 10 years of service who elected to receive a vested retirement allowance die during the period of deferment, the benefit is the accumulated deductions. A member who at resignation with at least 10 years of service who elected to receive a deferred retirement allowance and dies before the attainment of his service retirement date, the benefit is one-half of the ordinary death benefit.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

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.

VIII. AUTOMATIC COST-OF-LIVING ADJUSTMENTS ("COLA")

COLA benefits are payable to members who either are at least age 62 and have been retired for at least 5 years or who are at least age 55 and have been retired for at least 10 years. Additionally, COLA benefits are payable to members who retired for disability after being retired for 5 or more years and beneficiaries receiving accidental death benefits who have been receiving them for at least 5 years.

Starting with benefits for September 2001, COLA benefit is 50% of the increase in the CPI-U based on the year ending March 31, rounding to the next higher .1%, not less than 1% nor greater than 3% of the first \$18,000 of maximum retirement.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

The COLA benefit 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.

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:

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (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.
- (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.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

- (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 Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the annual required contributions.

Actual employer contributions are accrued by the Plan and are funded by the employer on a current basis. The actual contribution amounted to \$413,156,056 for the Fiscal Year ended June 30, 2001 and was computed in accordance with Chapter 125/00 which provides for a five year phase-in of the liabilities attributable to Chapter 125/00.

The annual required contribution amounted to \$543,758,283 for the Fiscal Year ended June 30, 2001.

**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, 2001

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

<u>Date</u>	<u>Service Retirement Benefits</u>		<u>Ordinary (Non-Duty) Disability Benefits</u>		<u>Accidental (Duty) Disability Benefits</u>	
	<u>Number</u>	<u>Average Annual Allowance</u>	<u>Number</u>	<u>Average Annual Allowance</u>	<u>Number</u>	<u>Average Annual Allowance</u>
6/30/95*	18,119	\$18,672	4,168	\$21,505	8,623	\$28,675
6/30/96**	19,011	19,148	4,200	21,696	8,969	29,559
6/30/97	18,929	20,832	4,178	22,833	9,175	31,050
6/30/98	18,793	21,446	4,141	23,110	9,322	31,835
6/30/99	18,622	22,971	4,109	24,159	9,403	33,365
6/30/00	18,689	23,821	4,056	24,249	9,478	34,069

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

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

New York Police Department Pension Fund - Subchapter 2

SCHEDULE OF BENEFIT EXPENSES BY TYPE
(In Thousands)

BENEFIT PAYMENTS

Fiscal Year	Service & Disability Retirement	Ordinary Death in Service	Payments for Death After Retirement	Line of Duty Deaths	Total
06/30/92	589,091	5,544	3,003	2,785	600,423
06/30/93	608,515	2,962	4,008	2,818	618,303
06/30/94	645,751	3,774	2,905	3,116	655,546
06/30/95	675,120	6,203	2,070	4,828	688,221
06/30/96	729,956	9,503	3,528	459	743,446
06/30/97	777,973	8,313	992	3,650	790,928
06/30/98	827,670	5,901	1,319	3,913	838,803
06/30/99	871,621	2,491	7,867	8,609	890,588
06/30/00	883,069	3,537	4,137	5,586	896,329
06/30/01	1,017,966	1,831	7,001	4,365	1,031,163

NEW YORK CITY POLICE DEPARTMENT PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 2001

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	25,920	0	0
40 to 44	49	27,525	13	24,725
45 to 49	599	30,856	18	26,334
50 to 54	2,495	31,676	57	30,748
55 to 59	3,971	28,265	91	31,245
60 to 64	3,113	24,317	47	28,279
65 to 69	2,164	20,252	31	24,930
70 to 74	2,279	18,017	31	14,937
75 to 79	1,906	17,086	32	15,323
80 to 84	1,228	17,572	14	15,398
85 to 89	319	18,834	8	20,135
90 & up	222	20,166	1	20,329

NEW YORK CITY POLICE DEPARTMENT PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 2001

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	4	\$11,910	2	\$11,338
30 to 34	25	17,073	17	16,340
35 to 39	90	19,960	52	18,653
40 to 44	135	20,476	54	21,128
45 to 49	93	17,668	29	20,441
50 to 54	362	14,525	18	16,906
55 to 59	606	14,834	19	14,600
60 to 64	438	22,132	11	13,179
65 to 69	457	32,419	15	14,869
70 to 74	735	32,923	7	28,537
75 to 79	532	28,599	13	22,944
80 to 84	267	26,942	8	23,658
85 to 89	56	26,080	1	37,354
90 & up	10	17,336	0	0

NEW YORK CITY POLICE DEPARTMENT PENSION FUND - SUBCHAPTER 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

JUNE 30, 2001

ACCIDENT DISABILITY RETIREMENT

AGE	MEN		WOMEN	
	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
UNDER 30	19	\$31,108	1	\$25,680
30 to 34	142	36,060	37	34,302
35 to 39	698	38,936	123	37,982
40 to 44	800	39,667	122	37,328
45 to 49	566	37,030	46	35,912
50 to 54	1,516	33,003	46	29,035
55 to 59	2,008	32,077	42	32,759
60 to 64	1,131	32,768	12	33,676
65 to 69	722	35,416	3	23,150
70 to 74	731	33,602	8	34,979
75 to 79	439	29,109	2	21,903
80 to 84	205	27,501	3	28,089
85 to 89	41	27,517	0	0
90 & up	15	24,997	0	0

New York City Police Department Pension Fund- Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 2001

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

AGE	MEN		WOMEN	
	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE	NUMBER OF BENEFICIARIES	AVERAGE ANNUAL ALLOWANCE
UNDER 30	1	\$13,586	5	\$19,369
30 to 34	0	0	5	15,602
35 to 39	0	0	14	20,418
40 to 44	0	0	3	21,817
45 to 49	1	21,299	14	21,535
50 to 54	0	0	11	20,985
55 to 59	2	19,321	22	18,486
60 to 64	0	0	32	14,861
65 to 69	0	0	48	13,050
70 to 74	0	0	100	12,510
75 to 79	0	0	179	7,180
80 to 84	0	0	318	4,693
85 to 89	0	0	587	3,385
90 & up	17	33,579	751	3,220

New York City Police Department Pension Fund - Subchapter 2

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
 JUNE 30, 2001

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	\$27,741	7	24,937
30 to 34	0	0	3	26,601
35 to 39	0	0	9	26,254
40 to 44	0	0	16	24,282
45 to 49	0	0	23	21,502
50 to 54	0	0	43	15,505
55 to 59	0	0	57	14,468
60 to 64	1	23,528	33	10,128
65 to 69	2	21,547	37	9,103
70 to 74	1	26,774	32	8,674
75 to 79	1	22,227	19	6,834
80 to 84	0	0	12	6,209
85 to 89	0	0	4	5,132
90 & up	0	0	2	5,132

New York Police Department Pension Fund - Subchapter 2

Expense by Type

(in Thousands)

Fiscal Year Ended 30-Jun	Benefit Payments(1)	Refund	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1994	655,546	322	655,868	28
1995	688,223	321	688,544	22.5
1996	743,118	328	743,446	30.1
1997	790,230	698	790,928	27.6
1998	837,802	1,001	838,803	26.1
1999	889,961	627	890,588	23.3
2000	895,853	476	896,329 *	10.7
2001	1,030,239	924	1,031,163	16.8

* Number does not include Balance Liability write-off of \$ 454,023

New York Police Department Pension Fund - Subchapter 2

Revenue by Source

(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
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
1999	43,091	486,780	1,868,386	-	2,398,257	23.3
2000	40,761	250,021	1,537,845	3,355	1,831,982	10.7
2001	37,862	413,156	(1,473,957)	5,983	(1,016,956)	16.8