

# **New York City Police Pension Funds**



**A Fiduciary Fund of The City of New York**

**Combining Financial Statements  
and Supplementary Information  
(Together with Report of Independent Certified Public  
Accountants)**

**For the Years Ended June 30, 2021 and June 30, 2020**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees of  
New York City Police Pension Funds

We have audited the accompanying combining financial statements of New York City Police Pension Funds, New York City Police Officers' Variable Supplements Fund, and New York City Police Superior Officers' Variable Supplements Fund, which collectively comprise the New York City Police Pension Funds (the "System"), which comprise the combining statements of fiduciary net position as of June 30, 2021 and 2020 and the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to combining financial statements, which collectively comprise the System's basic combining financial statements.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the combining fiduciary net position of the System as of June 30, 2021 and 2020, and the changes in the combining fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matter***Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule 1 - schedules of changes in the employer's net pension liability and related ratios, Schedule 2 - schedules of employer contributions, and Schedule 3 - schedule of investment returns, as listed in the table of contents, be presented to supplement the basic combining financial statements. Such information, although not a required part of the basic combining financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic combining financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combining financial statements, and other knowledge we obtained during our audit of the basic combining financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Grant Thornton LLP*

New York, New York  
October 28, 2021

## New York City Police Pension Funds

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2021 and 2020

This narrative discussion and analysis of the New York City Police Pension Funds ("POLICE", "Funds" or the "Plan"), provides an overview of the Funds combining financial activities for the Fiscal Years ended June 30, 2021 and 2020. It is meant to assist the reader in understanding the Funds combining financial statements by providing an overall review of the combining financial activities during the years and the effects of significant changes, as well as a comparison with the prior year's activity and results. This discussion and analysis is intended to be read in conjunction with the Funds combining financial statements.

The Funds administer: the New York City Police Pension Funds, Tiers 1, 2, 3, and 6 (Tier 3 Revised), in conjunction with the establishment of an administrative staff separate from the New York City Police Department, in accordance with Chapter 292 of the Laws of 2001 - Qualified Pension Plan ("QPP") – as set forth in the Administrative Code of The City of New York ("ACNY") § 13-214.1; the Police Superior Officers' Variable Supplements Fund ("PSOVSF"), as set forth in ACNY § 13-278; and the Police Officers' Variable Supplements Fund ("POVSF"), as set forth in ACNY § 12-268.

#### **Overview of Combining Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the Funds' combining financial statements. The combining financial statements, which include the financial statements of each of the above stated Funds are prepared in accordance with Governmental Accounting Standards Board ("GASB") pronouncements, are as follows:

- **The Combining Statements of Fiduciary Net Position** - presents the financial position of the Funds at fiscal year end. It provides information about the nature and amounts of resources with present service capacity that the Funds presently control (assets), consumption of net assets by the Funds that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Funds have little or no discretion to avoid (liabilities), and acquisition of net assets by the Funds that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.
- **The Combining Statements of Changes in Fiduciary Net Position** - presents the results of activities during the fiscal year. All changes affecting the assets/deferred outflow and liabilities/deferred inflow of the Funds are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.
- **The Notes to Combining Financial Statements** - provide additional information that is essential to a full understanding of the data provided in the combining financial statements. The notes present information about the Funds' accounting policies, significant account balances and activities, material risks, obligations, contingencies and subsequent events, if any.
- **Required Supplementary Information (Unaudited)** - includes the management discussion and analysis (this section), and the notes to combining financial statements as required by the GASB.

#### **Financial Highlights**

The Funds' net position restricted for benefits increased by \$10.8 billion, or 23.3% to \$57.1 billion in Fiscal Year 2021 compared to Fiscal Year 2020, and increased by \$1.3 billion, or 2.8% to \$46.3 billion in Fiscal Year 2020 compared to Fiscal Year 2019. The Funds net position restricted for benefits increased in Fiscal Years 2021 and 2020 due to contributions and investment income exceeding benefit payments and withdrawals.

**New York City Police Pension Funds**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**June 30, 2021 and 2020**

**Changes in Fiduciary Net Position**

**Years ended June 30, 2021, 2020, and 2019**

**(In thousands)**

	2021	2020	2019
Additions:			
Member contributions	\$ 255,789	\$ 280,129	\$ 278,087
Employer contributions	2,437,728	2,458,907	2,558,256
Net investment income	11,961,703	2,038,305	2,861,543
Litigation income	2,470	4,488	2,276
Net receipts from other retirement systems	1,988	2,053	1,907
Total additions	<u>14,659,678</u>	<u>4,783,882</u>	<u>5,702,069</u>
Deductions:			
Benefit payments and withdrawals	3,841,319	3,491,495	3,282,070
Administrative expenses	24,925	26,803	29,005
Total deductions	<u>3,866,244</u>	<u>3,518,298</u>	<u>3,311,075</u>
Net increase in net position	10,793,434	1,265,584	2,390,994
Net position restricted for benefits			
Beginning of year	<u>46,262,891</u>	<u>44,997,307</u>	<u>42,606,313</u>
End of year	<u>\$ 57,056,325</u>	<u>\$ 46,262,891</u>	<u>\$ 44,997,307</u>

During Fiscal Year 2021, member contributions decreased 8.7% to \$255.8 million as compared to Fiscal Year 2020 contributions of \$280.1 million. During Fiscal Year 2020, member contributions increased 0.7% to \$280.1 million as compared to Fiscal Year 2019 contributions of \$278.1 million. Increases and decreases in member contributions are primarily due to the fluctuations of active members and their voluntary and required contributions. In accordance with the pension plan requirements, certain members, under certain conditions, may elect to increase or decrease their deductions.

Employer contributions in Fiscal Year 2021 were \$2.44 billion, a decrease of 0.9% from Fiscal Year 2020 contributions of \$2.46 billion primarily due to restart of the Actuarial Value of Assets ("AVA") and experience gains offset by the cost of assumption changes. Employer contributions in Fiscal Year 2020 were \$2.46 billion, a decrease of 3.9% from Fiscal Year 2019 contributions of \$2.56 billion primarily due to experience gains.

Benefit payments and withdrawals were \$3.84 billion, \$3.49 billion, and \$3.28 billion for the Fiscal Years ended June 30, 2021, 2020, and 2019, respectively. This is primarily due to an increase in the number of retirees eligible for benefits.

In Fiscal Year 2002, Chapter 292 of the New York State Laws of 2001 provided the Funds with corpus funding for administrative expenses. In Fiscal Years 2021, 2020, and 2019, the administrative expenses were \$24.9 million, \$26.8 million, and \$29.0 million, respectively.

***Fiduciary Net Position***

In Fiscal Year 2021, the Funds experienced a 23.3% increase in the combined net position restricted for benefits due to an increase in assets compared to Fiscal Year 2020, when a 2.8% increase from Fiscal Year 2019 was noted.

**New York City Police Pension Funds**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**June 30, 2021 and 2020**

**Fiduciary Net Position**

**June 30, 2021, 2020, and 2019**

**(In thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 75,551	\$ 17,972	\$ 26,127
Receivables	1,491,493	829,771	1,128,838
Investments - at fair value	57,946,124	46,807,184	45,251,365
Collateral from securities lending	5,891,076	3,559,791	3,851,420
Other assets	9,062	9,716	7,093
Total assets	<u>65,413,306</u>	<u>51,224,434</u>	<u>50,264,843</u>
Accounts payable and other liabilities	2,465,905	1,401,752	1,416,116
Securities lending	5,891,076	3,559,791	3,851,420
Total liabilities	<u>8,356,981</u>	<u>4,961,543</u>	<u>5,267,536</u>
Net position restricted for benefits	<u>\$ 57,056,325</u>	<u>\$ 46,262,891</u>	<u>\$ 44,997,307</u>

Receivables and payables related to investment securities are primarily generated through the timing differences between the trade and settlement dates for investment securities purchased or sold.

**New York City Police Pension Funds**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**June 30, 2021 and 2020**

**Investment Summary**

**June 30, 2021**

**(In thousands)**

Investments - at fair value:	QPP	PSOVSF	POVSF	Combined
Short-term investments:				
Commercial paper	\$ 463,293	\$ 7,000	\$ 5,200	\$ 475,493
Short-term investment fund	699,856	575	393	700,824
U.S. treasury bills and agencies	505,372	-	-	505,372
Fixed income securities:				
Bank loans	191,531	-	-	191,531
Corporate and other	7,253,045	-	-	7,253,045
Mortgage debt securities	2,206,428	-	-	2,206,428
Treasury inflation-protected securities	1,663,785	-	-	1,663,785
U.S. government and agencies	2,777,756	-	-	2,777,756
Equity securities:				
Domestic equity	17,708,155	1,336,862	800,591	19,845,608
International equity	5,993,485	-	-	5,993,485
Collective trust funds:				
Bank loans	1,859	-	-	1,859
Corporate and other	9	337,239	199,615	536,863
Domestic equity	149,857	127,611	80,252	357,720
International equity	1,066,994	1,003,469	602,174	2,672,637
Mortgage debt securities	211,531	324,370	191,997	727,898
Opportunistic-fixed income	161,524	-	-	161,524
U.S. government and agency	-	464,130	274,723	738,853
Alternative investments:				
Infrastructure	639,870	-	-	639,870
Opportunistic-fixed income	1,633,488	-	-	1,633,488
Private equity	3,608,731	-	-	3,608,731
Private real estate	2,459,043	-	-	2,459,043
Hedge fund investment	2,794,311	-	-	2,794,311
Collateral from securities lending	5,461,797	268,752	160,527	5,891,076
Total investments	<u>\$ 57,651,720</u>	<u>\$ 3,870,008</u>	<u>\$ 2,315,472</u>	<u>\$ 63,837,200</u>



**New York City Police Pension Funds**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**June 30, 2021 and 2020**

**Investment Summary**

**June 30, 2020**

**(In thousands)**

Investments - at fair value:	QPP	PSOVSF	POVSF	Combined
Short-term investments:				
Commercial paper	\$ 238,555	\$ 69,000	\$ 3,000	\$ 310,555
Short-term investment fund	293,923	-	679	294,602
U.S. treasury bills and agencies	636,923	2,005	4,005	642,933
Fixed income securities:				
Bank loans	226,857	-	-	226,857
Corporate and other	4,396,908	-	-	4,396,908
Mortgage debt securities	1,377,705	-	-	1,377,705
Treasury inflation-protected securities	1,710,665	-	-	1,710,665
U.S. government and agencies	3,069,573	-	-	3,069,573
Equity securities:				
Domestic equity	13,542,621	994,288	591,182	15,128,091
International equity	2,814,260	-	-	2,814,260
Collective trust funds:				
Bank loans	514,197	-	-	514,197
Corporate and other	11,597	332,546	206,576	550,719
Domestic equity	356,956	115,789	68,109	540,854
International equity	2,872,858	852,805	467,350	4,193,013
Mortgage debt securities	205,647	312,925	194,387	712,959
Opportunistic-fixed income	137,770	-	-	137,770
U.S. government and agency	-	431,900	268,294	700,194
Alternative investments:				
Infrastructure	504,681	-	-	504,681
Opportunistic-fixed income	1,354,060	-	-	1,354,060
Private equity	2,489,568	-	-	2,489,568
Private real estate	2,181,695	-	-	2,181,695
Hedge fund investment	2,955,325	-	-	2,955,325
Collateral from securities lending	3,430,138	77,814	51,839	3,559,791
<b>Total investments</b>	<b>\$ 45,322,482</b>	<b>\$ 3,189,072</b>	<b>\$ 1,855,421</b>	<b>\$ 50,366,975</b>

Due to the long-term nature of the Funds' liabilities, the Funds' assets are invested with a long-term investment horizon. Assets are invested in a diversified portfolio of capital market securities. Investments in these assets are expected to produce higher returns, but are also subject to greater volatility and may produce negative returns. For example, the Russell 3000 Index, a broad measure of the United States stock market, increased to 44.16% from 6.53% in Fiscal Years 2021 and 2020, respectively. In 2021, the World ex-USA Custom BM Index increased to 34.82% from (5.11)% in 2020. In Fiscal Year 2021, the Emerging International Market increased to 40.90% from (3.39)% in 2020. For the three-year period ended June 30, 2021, the overall rate of return on investments for QPP, PSOVSF, and POVSF were 12.52%, 11.54%, and 11.38%, for the five-year period the return was 12.11%, 11.45%, and 11.18% and for the 10-year period was 9.57%, 9.20%, and 9.69%.

## **New York City Police Pension Funds**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

**June 30, 2021 and 2020**

Assets are invested long term for the benefit of the Funds participants and their beneficiaries. All investments are managed by registered investment managers and advisors, pursuant to applicable laws and to guidelines issued by The Comptroller of The City of New York (the "Comptroller"). Collectively, the investments utilize 13 domestic equity managers, 17 international equity managers, 18 hedge fund managers, 50 private real estate managers, 12 infrastructure managers, 102 private equity investment managers, 13 public-fixed income managers, and 26 alternative credit managers and one Economically Targeted Investment ("ETI") manager.

Assets are allocated in accordance with policy adopted periodically by the Funds' Board of Trustees. The percentage in each category is determined by a study indicating the probable rates of return and levels of risk for various asset allocations. The actual allocation may vary from this policy mix as fair values shift and as investments are added or terminated.

#### ***Contact Information***

This financial report is designed to provide a general overview of the New York City Police Pension Funds finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Director of Accounting, New York City Police Pension Fund, 233 Broadway, 25th Floor, New York, New York 10279.

## New York City Police Pension Funds

### COMBINING STATEMENT OF FIDUCIARY NET POSITION

**June 30, 2021**  
**(In thousands)**

	QPP	PSOVSF	POVSF	Eliminations	Total Funds
<b>ASSETS</b>					
Cash	\$ 74,186	\$ 128	\$ 1,237	\$ -	\$ 75,551
Receivables:					
Employer contribution	143,177	-	-	-	143,177
Investments securities sold	1,049,404	337	208	-	1,049,949
Member loans	174,712	-	-	-	174,712
Transferrable earnings FY 19	-	35,046	104,688	(139,734)	-
Transferrable earnings FY 20	-	14,000	62,000	(76,000)	-
Accrued interest and dividends	122,171	927	557	-	123,655
Total receivables	<u>1,489,464</u>	<u>50,310</u>	<u>167,453</u>	<u>(215,734)</u>	<u>1,491,493</u>
Investments - at fair value					
Short-term investments:					
Commercial paper	463,293	7,000	5,200	-	475,493
Short-term investment fund	699,856	575	393	-	700,824
U.S. treasury bills and agencies	505,372	-	-	-	505,372
Fixed income securities:					
Bank loans	191,531	-	-	-	191,531
Corporate and other	7,253,045	-	-	-	7,253,045
Mortgage debt securities	2,206,428	-	-	-	2,206,428
Treasury inflation-protected securities	1,663,785	-	-	-	1,663,785
U.S. government and agency	2,777,756	-	-	-	2,777,756
Equity securities:					
Domestic equity	17,708,155	1,336,862	800,591	-	19,845,608
International equity	5,993,485	-	-	-	5,993,485
Collective trust funds:					
Bank loans	1,859	-	-	-	1,859
Corporate and other	9	337,239	199,615	-	536,863
Domestic equity	149,857	127,611	80,252	-	357,720
International equity	1,066,994	1,003,469	602,174	-	2,672,637
Mortgage debt securities	211,531	324,370	191,997	-	727,898
Opportunistic-fixed income	161,524	-	-	-	161,524
U.S. government and agency	-	464,130	274,723	-	738,853
Alternative investments:					
Infrastructure	639,870	-	-	-	639,870
Opportunistic-fixed income	1,633,488	-	-	-	1,633,488
Private equity	3,608,731	-	-	-	3,608,731
Private real estate	2,459,043	-	-	-	2,459,043
Hedge fund investment	2,794,311	-	-	-	2,794,311
Collateral from securities lending	5,461,797	268,752	160,527	-	5,891,076
Total investments	<u>57,651,720</u>	<u>3,870,008</u>	<u>2,315,472</u>	<u>-</u>	<u>63,837,200</u>
Other assets	9,062	-	-	-	9,062
Total assets	<u>59,224,432</u>	<u>3,920,446</u>	<u>2,484,162</u>	<u>(215,734)</u>	<u>65,413,306</u>
<b>LIABILITIES</b>					
Accounts payable	61,582	2,791	506	-	64,879
Payable for investment securities purchased	2,086,106	-	-	-	2,086,106
Accrued benefits payable	105,275	128,309	81,336	-	314,920
Transferable earnings FY 19	139,734	-	-	(139,734)	-
Transferable earnings FY 20	76,000	-	-	(76,000)	-
Collateral from securities lending	5,461,797	268,752	160,527	-	5,891,076
Total liabilities	<u>7,930,494</u>	<u>399,852</u>	<u>242,369</u>	<u>(215,734)</u>	<u>8,356,981</u>
Net position restricted for benefits:					
Benefits to be provided by QPP	51,293,938	-	-	-	51,293,938
Benefits to be provided by VSF	-	3,520,594	2,241,793	-	5,762,387
Total net position restricted for benefits	<u>\$ 51,293,938</u>	<u>\$ 3,520,594</u>	<u>\$ 2,241,793</u>	<u>\$ -</u>	<u>\$ 57,056,325</u>

The accompanying notes are an integral part of this combining financial statement.

## New York City Police Pension Funds

### COMBINING STATEMENT OF FIDUCIARY NET POSITION

**June 30, 2020**  
**(In thousands)**

	QPP	PSOVSF	POVSF	Eliminations	Total Funds
<b>ASSETS</b>					
Cash	\$ 9,815	\$ 3,944	\$ 4,213	\$ -	\$ 17,972
Receivables:					
Investments securities sold	608,688	852	509	-	610,049
Member loans	218,592	-	-	-	218,592
Transferable earnings FY 20	-	31,561	1,452	(33,013)	-
Transferable earnings FY 21	-	141,000	143,000	(284,000)	-
Accrued interest and dividends	1,009	78	43	-	1,130
Total receivables	<u>828,289</u>	<u>173,491</u>	<u>145,004</u>	<u>(317,013)</u>	<u>829,771</u>
Investments - at fair value					
Short-term investments:					
Commercial paper	238,555	69,000	3,000	-	310,555
Short-term investment fund	293,923	-	679	-	294,602
U.S. treasury bills and agencies	636,923	2,005	4,005	-	642,933
Fixed income securities:					
Bank loans	226,857	-	-	-	226,857
Corporate and other	4,396,908	-	-	-	4,396,908
Mortgage debt securities	1,377,705	-	-	-	1,377,705
Treasury inflation-protected securities	1,710,665	-	-	-	1,710,665
U.S. government and agency	3,069,573	-	-	-	3,069,573
Equity securities:					
Domestic equity	13,542,621	994,288	591,182	-	15,128,091
International equity	2,814,260	-	-	-	2,814,260
Collective trust funds:					
Bank loans	514,197	-	-	-	514,197
Corporate and other	11,597	332,546	206,576	-	550,719
Domestic equity	356,956	115,789	68,109	-	540,854
International equity	2,872,858	852,805	467,350	-	4,193,013
Mortgage debt securities	205,647	312,925	194,387	-	712,959
Opportunistic-fixed income	137,770	-	-	-	137,770
U.S. government and agency	-	431,900	268,294	-	700,194
Alternative investments:					
Infrastructure	504,681	-	-	-	504,681
Opportunistic-fixed income	1,354,060	-	-	-	1,354,060
Private equity	2,489,568	-	-	-	2,489,568
Private real estate	2,181,695	-	-	-	2,181,695
Hedge fund investment	2,955,325	-	-	-	2,955,325
Collateral from securities lending	3,430,138	77,814	51,839	-	3,559,791
Total investments	<u>45,322,482</u>	<u>3,189,072</u>	<u>1,855,421</u>	<u>-</u>	<u>50,366,975</u>
Other assets	9,716	-	-	-	9,716
Total assets	<u>46,170,302</u>	<u>3,366,507</u>	<u>2,004,638</u>	<u>(317,013)</u>	<u>51,224,434</u>
<b>LIABILITIES</b>					
Accounts payable	49,637	69,315	347	-	119,299
Payable for investment securities purchased	1,026,317	1,643	345	-	1,028,305
Accrued benefits payable	54,183	121,306	78,659	-	254,148
Transferable earnings FY 19	33,013	-	-	(33,013)	-
Transferable earnings FY 20	284,000	-	-	(284,000)	-
Collateral from securities lending	3,430,138	77,814	51,839	-	3,559,791
Total liabilities	<u>4,877,288</u>	<u>270,078</u>	<u>131,190</u>	<u>(317,013)</u>	<u>4,961,543</u>
Net position restricted for benefits:					
Benefits to be provided by QPP	41,293,014	-	-	-	41,293,014
Benefits to be provided by VSF	-	3,096,429	1,873,448	-	4,969,877
Total net position restricted for benefits	<u>\$ 41,293,014</u>	<u>\$ 3,096,429</u>	<u>\$ 1,873,448</u>	<u>\$ -</u>	<u>\$ 46,262,891</u>

The accompanying notes are an integral part of this combining financial statement.

## New York City Police Pension Funds

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

**Year ended June 30, 2021**  
**(In thousands)**

	<u>QPP</u>	<u>PSOVSF</u>	<u>POVSF</u>	<u>Eliminations</u>	<u>Total</u>
<b>Additions</b>					
Contributions:					
Member contributions	\$ 255,789	\$ -	\$ -	\$ -	\$ 255,789
Employer contributions	2,437,728	-	-	-	2,437,728
Total contributions	<u>2,693,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,693,517</u>
Investment income (Note 2):					
Interest income	537,652	27,405	16,631	-	581,688
Dividend income	498,589	45,341	26,583	-	570,513
Net appreciation in fair value of investments	9,991,705	694,736	405,173	-	11,091,614
Total investment income	<u>11,027,946</u>	<u>767,482</u>	<u>448,387</u>	<u>-</u>	<u>12,243,815</u>
Less investment expenses	<u>290,750</u>	<u>2,074</u>	<u>1,196</u>	<u>-</u>	<u>294,020</u>
Net investment income before securities lending transactions	<u>10,737,196</u>	<u>765,408</u>	<u>447,191</u>	<u>-</u>	<u>11,949,795</u>
Securities lending transactions:					
Securities lending income	11,940	787	471	-	13,198
Less securities lending fees	1,175	72	43	-	1,290
Net securities lending income	<u>10,765</u>	<u>715</u>	<u>428</u>	<u>-</u>	<u>11,908</u>
Net investment income	<u>10,747,961</u>	<u>766,123</u>	<u>447,619</u>	<u>-</u>	<u>11,961,703</u>
Net receipts from other retirement systems	1,988	-	-	-	1,988
Transferable earnings FY 19	-	3,484	103,236	(106,720)	-
Litigation income	2,401	32	37	-	2,470
Total additions	<u>13,445,867</u>	<u>769,639</u>	<u>550,892</u>	<u>(106,720)</u>	<u>14,659,678</u>
<b>Deductions</b>					
Benefit payments and withdrawals	3,313,298	345,474	182,547	-	3,841,319
Transferable earnings FY 19	106,720	-	-	(106,720)	-
Administrative expenses	24,925	-	-	-	24,925
Total deductions	<u>3,444,943</u>	<u>345,474</u>	<u>182,547</u>	<u>(106,720)</u>	<u>3,866,244</u>
Net increase in net position	10,000,924	424,165	368,345	-	10,793,434
Net position restricted for benefits					
Beginning of year	<u>41,293,014</u>	<u>3,096,429</u>	<u>1,873,448</u>	<u>-</u>	<u>46,262,891</u>
End of year	<u>\$ 51,293,938</u>	<u>\$ 3,520,594</u>	<u>\$ 2,241,793</u>	<u>\$ -</u>	<u>\$ 57,056,325</u>

The accompanying notes are an integral part of this combining financial statement.

**New York City Police Pension Funds**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**Year ended June 30, 2020  
(in thousands)**

	<u>QPP</u>	<u>PSOVSF</u>	<u>POVSF</u>	<u>Eliminations</u>	<u>Total</u>
<b>Additions</b>					
Contributions:					
Member contributions	\$ 280,129	\$ -	\$ -	\$ -	\$ 280,129
Employer contributions	2,458,907	-	-	-	2,458,907
Total contributions	<u>2,739,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,739,036</u>
Investment income (loss) (Note 2):					
Interest income	421,859	65,359	35,663	-	522,881
Dividend income	497,886	41,093	27,344	-	566,323
Net appreciation (depreciation) in fair value of investments	1,191,629	40,878	(66,717)	-	1,165,790
Total investment income (loss)	<u>2,111,374</u>	<u>147,330</u>	<u>(3,710)</u>	<u>-</u>	<u>2,254,994</u>
Less investment expenses	<u>226,384</u>	<u>1,545</u>	<u>998</u>	<u>-</u>	<u>228,927</u>
Net investment income (loss) before securities lending transactions	<u>1,884,990</u>	<u>145,785</u>	<u>(4,708)</u>	<u>-</u>	<u>2,026,067</u>
Securities lending transactions:					
Securities lending income	12,194	797	533	-	13,524
Less securities lending fees	1,172	68	46	-	1,286
Net securities lending income	<u>11,022</u>	<u>729</u>	<u>487</u>	<u>-</u>	<u>12,238</u>
Net investment income	<u>1,896,012</u>	<u>146,514</u>	<u>(4,221)</u>	<u>-</u>	<u>2,038,305</u>
Net receipts from other retirement systems	2,053	-	-	-	2,053
Transferable earnings FY 18	-	115,550	1,808	(117,358)	-
Transferable earnings FY 20	-	141,000	143,000	(284,000)	-
Litigation income	4,435	24	29	-	4,488
Total additions	<u>4,641,536</u>	<u>403,088</u>	<u>140,616</u>	<u>(401,358)</u>	<u>4,783,882</u>
<b>Deductions</b>					
Benefit payments and withdrawals	3,039,785	285,963	165,747	-	3,491,495
Transferable earnings FY 18	117,358	-	-	(117,358)	-
Transferable earnings FY 20	284,000	-	-	(284,000)	-
Administrative expenses	26,803	-	-	-	26,803
Total deductions	<u>3,467,946</u>	<u>285,963</u>	<u>165,747</u>	<u>(401,358)</u>	<u>3,518,298</u>
Net increase (decrease) in net position	1,173,590	117,125	(25,131)	-	1,265,584
Net position restricted for benefits					
Beginning of year	40,119,424	2,979,304	1,898,579	-	44,997,307
End of year	<u>\$ 41,293,014</u>	<u>\$ 3,096,429</u>	<u>\$ 1,873,448</u>	<u>\$ -</u>	<u>\$ 46,262,891</u>

The accompanying notes are an integral part of this combining financial statement.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE 1 - PLAN DESCRIPTION

The City of New York ("City" or "The City") maintains a number of pension systems providing benefits for employees of its various agencies (as defined within New York State ("State") statutes and City laws). The City's five major actuarially-funded pension systems are the New York City Police Pension Funds ("POLICE", "Funds" or the "Plan"), the New York City Employees' Retirement System ("NYCERS"), the Teachers' Retirement System of the City of New York ("TRS"), the New York City Board of Education Retirement System ("BERS"), and the New York City Fire Pension Funds ("FIRE"). Each separate pension system or fund is a separate Public Employee Retirement System ("PERS") with a separate oversight body and are financially independent of the others.

POLICE administers the New York City Police Pension Funds, Tiers 1, 2, 3, and Tier 6 (Tier 3 Revised), in conjunction with the establishment of an administrative staff separate from the New York City Police Department, in accordance with Chapter 292 of the Laws of 2001- Qualified Pension Plan ("QPP"); as set forth in Administrative Code of The City of New York ("ACNY") § 13-214.1, the Police Superior Officers' Variable Supplements Fund ("PSOVSF"), as set forth in ACNY § 13-278; and the Police Officers' Variable Supplements Fund ("POVSF"), as set forth in ACNY § 13-268.

The QPP is a single-employer pension plan. The QPP provides pension benefits for full-time uniformed employees of the New York City Police Department ("NYPD"). All full-time uniformed employees of the NYPD become members of the QPP upon employment. The QPP functions in accordance with existing State statutes and City laws, which are the basis by which benefit terms and employer and member contribution requirements are established and amended. The QPP combines features of a defined-benefit pension plan with those of a defined contribution pension plan, but is considered a defined-benefit pension plan for financial reporting purposes.

The PSOVSF and the POVSF (collectively, "VSFs") operate pursuant to the provisions of Title 13, Chapter 2 of the ACNY and provide supplemental benefits to retired Police Superior Officers (including Detectives, and Sergeants through Deputy Chiefs) and retired Police Officers, respectively. To be eligible to receive benefits from the VSFs, Police Superior Officers or Police Officers must retire on or after October 1, 1968 with 20 or more years of credited service, and be receiving a service retirement benefit from the QPP. Under current law, the VSFs are not to be construed as constituting a pension or retirement system. Instead, they provide defined supplemental payments, other than pension or retirement system allowances, in accordance with applicable statutory provisions. While The City guarantees these payments, the New York State Legislature has reserved to itself and the State the right and power to amend, modify, or repeal the VSFs and the payments they provide. For financial reporting purposes, however, the VSFs are considered single-employer defined benefit pension plans.

POLICE is a fiduciary fund of The City and is included in the Pension and Other Employee Benefit Trust Funds section of The City's Annual Comprehensive Financial Report ("ACFR"). GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report and its acronym ACFR. The new term replaces comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The System has decided to early implement this pronouncement and has applied the change as of the issuance of this report.

#### **Board of Trustees**

The QPP Board of Trustees consists of 12 members. The Trustees and their voting rights are as follows: The Police Commissioner, representative of the Mayor, The Comptroller of The City of New York (the "Comptroller"), and the Commissioner of Finance (one and one-half votes each); four specified officers of the Police Benevolent Association (one vote each); and the presidents of the Detectives' Endowment Association, the Sergeants Benevolent Association, the Lieutenants Benevolent Association, and the Captains Endowment Association (one-half vote each).

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

The PSOVSF Board of Trustees consists of seven members. The Trustees and their voting rights are as follows: a representative of the Mayor, the Comptroller and the Commissioner of Finance (two votes each), and four representatives of the Police Superior Officers' Associations who are the four members of the QPP Board of Trustees (one vote each).

The POVSF Board of Trustees consists of five members each with one vote: a representative of the Mayor, Comptroller, and Commissioner of Finance and two of the officers of the Police Benevolent Association that are members of the QPP Board of Trustees.

**Membership Data**

At June 30, 2021, 2020, and 2019, the QPP's membership consisted of:

	QPP		
	2021*	2020	2019
Retirees and beneficiaries receiving benefits	55,109	54,456	50,727
Terminated vested members not yet receiving benefits	942	469	497
Terminated non-vested members/inactives**	2,347	2,666	1,640
Active members receiving salary	34,828	34,581	36,401
<b>Total</b>	<b>93,226</b>	<b>92,172</b>	<b>89,265</b>

\* Estimated figures

\*\* As of June 30, 2020, members that are on leave with insufficient service for vesting and assumed to not return to active service are classified as terminated non-vested members. Prior to June 30, 2020, represents inactive members who were no longer on payroll but not otherwise classified.

At June 30, 2021, 2020, and 2019, the PSOVSF and POVSF membership consisted of:

	PSOVSF			POVSF		
	2021*	2020	2019	2021*	2020	2019
Retirees currently receiving payments	20,901	19,440	19,424	13,337	12,687	12,800
Active members***	11,902	11,695	12,692	22,926	23,006	23,709
<b>Total</b>	<b>32,803</b>	<b>31,135</b>	<b>32,116</b>	<b>36,263</b>	<b>35,693</b>	<b>36,509</b>

\* Estimated figures

\*\*\* Represents the number of actively employed Police Superior Officers and Police Officers, respectively, as of the June 30 valuation dates.

**Summary of Benefits**

QPP

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 New York State Retirement and Social Security Law ("RSSL") to modify certain benefits for employees joining the QPP on or after the effective date of such amendments. These amendments, which affect employees who joined the QPP on



## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

and after July 1, 1973, established certain benefit limitations relating to eligibility for retirement, the salary base for benefits and maximum benefits. Recent laws, including but not limited to Chapter 372 of the Laws of 2000 which provides a revised definition of salary base to be used in the computation of certain benefits for Tier 2 members of the QPP and Chapter 589 of the Laws of 2001 which eliminated the Tier 2 maximum 30 years of service limitation, have lessened these limitations.

The QPP currently administers the following pension tiers: Tier 1, Tier 2, Tier 3, Tier 3 Revised, and Tier 3 Enhanced. Membership is mandatory for uniformed employees of the New York City Police Department.

The QPP provides four main types of retirement benefits for all tiers: Vested Retirements, Service Retirements, Ordinary Disability Retirements ("ODR") (non-job-related disabilities), and Accident Disability Retirements ("ADR") (job-related disabilities). Additionally, the QPP provides death benefits for all tiers.

Tier 1 is applicable to members appointed to the NYPD prior to July 1, 1973. Tier 2 is applicable to members appointed between July 1, 1973 and June 30, 2009. Benefits are generally the same for Tier 1 and Tier 2.

For Tier 1 and Tier 2 members, the QPP generally provides the following:

- A Vested Retirement Benefit is payable to Tier 1 and 2 members with at least five years of uniformed service. Tier 1 and 2 members who commenced their membership with the QPP prior to February 4, 2000 must have 15 years of uniformed service to be eligible for a Vested Retirement Benefit. This benefit is generally comprised of a pension equal to 1/40 of their final average salary for every year of uniformed service and is reduced or increased based on the actuarial value of an account shortage or excess. The benefit can be increased for any purchased non-uniformed service.
- A Service Retirement Benefit provides an allowance of one-half of final average salary after 20 years or 25 years of credited service (as elected), with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of actual earnings times the number of years of service in excess of the 20-year or 25-year minimum. These additional benefits are increased, where applicable, by an annuity attributable to member contributions in excess of the required amount and by any benefits attributable to the Increased-Take-Home-Pay ("ITHP") contributions accumulated after eligibility for service retirement. ITHP represents amounts assumed by The City in lieu of members' own contributions. These amounts reduce the contributions that members would have to make to the QPP during their service and thereby increase their take-home pay. Members have the choice of waiving their ITHP reduction, which would reduce their take-home pay, but increase pension contributions made to the QPP.
- ODR benefits are contingent on the member's amount of credited service. Members with less than 10 years of credited service are entitled to a pension equal to 1/3 of their final average salary, members with 10-20 years of credited service are entitled to a pension equal to 50% of their final average salary; and members with 20 or more years of credited service are entitled to a pension equal to 1/40 of their final average salary for every year of credited service. All ODR benefits are either reduced for the annuity value of an account deficit, or increased for the annuity value of an account excess.
- An ADR benefit provides a pension of three-fourths of final salary plus an increment as described above based on 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.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Tier 1 and Tier 2 members have the right to make voluntary member contributions ("Voluntary Contributions") in excess of their required member contributions ("Required Contributions"). Both the Voluntary Contributions and the Required Contributions are credited with interest at a statutory rate (currently 8.25% Annual Percentage Rate ("APR")). At the time of retirement or refund of contributions, a member's aggregate balance of actual Required Contributions and Voluntary Contributions, including statutory interest ("Actual Balance"), less the outstanding balance of any member loans ("Net Actual Contributions"), may exceed ("Excess of Contributions") or fall short of ("Deficiency of Contributions") the member's Required Amount. The Required Amount is the sum of the Required Contributions which a member should have made during his or her first 20 years of credited service, plus statutory interest earnings thereon. The amount of the member's retirement annuity or the refund of contributions that he or she is entitled to is increased by the actuarial value of any Excess of Contributions or reduced by any Deficiency of Contributions. Annuities attributable to member contributions are reduced on an actuarial basis for any loans with unpaid balances outstanding at the date of retirement.

Cost of Living Adjustments ("COLA") are automatically payable to members who are either: (1) at least age 62 and have been retired for at least five years; or (2) at least age 55 and have been retired for at least 10 years. Additionally, COLA are payable to members who retired for disability after being retired for five or more years and to beneficiaries receiving accidental death benefits who have been receiving them for at least five years. Beginning September 2001, COLA benefits equal 50% of the increase in the Consumer Price Index for All Urban Consumers ("CPI-U") based on the year ending March 31, rounded to the next higher 0.1% not less than 1% nor greater than 3% of the first \$18,000 of the sum of maximum pension allowance and prior COLA.

In June of 2009, the Governor vetoed legislation that would have extended Tier 2 to members hired after June 30, 2009. As a result of the Governor's veto, QPP members hired on and after July 1, 2009 are covered under Tier 3, as governed by Article 14 of the RSSL. As a result of Chapter 18 of the Laws of 2012, there are certain limitations on Tier 3 benefits available to participants hired on and after April 1, 2012. In most New York State PERS, including the QPP, these changes are sometimes referred to as Tier 3 Revised.

For Tier 3/Tier 3 Revised/Tier 3 Enhanced members, the QPP generally provides the following:

- A Normal Service Retirement Benefit is earned after completion of 22 years of uniformed service.
- An Early Service Retirement Benefit is payable upon completion of 20 years or age 62 for Tier 3 or upon completion of 20 years for Tier 3 Revised and is payable as a pension equal to 2.1% of Final Average Salary plus 1/3% of Final Average Salary for each month in excess of 20 years of uniformed service, such benefit not to exceed 50% of Final Average Salary.
- A Vested Benefit payable to members with at least five years of uniformed service. The benefit is equal to 2.1% of final average salary for every year of uniformed service, payable upon attainment of eligibility for early age, or 55.
- An ODR retirement allowance is payable to member who has at least five years of service and is in receipt of Social Security Disability Benefits (non-Enhanced members only). An ODR benefit is 1/3 of Final Average Salary or 2% of Final Average Salary for each year of credited service, whichever is greater and does not exceed 50% of Final Average Salary.
- An ADR retirement allowance is payable to a member who was disabled as the result of a line-of-duty accident not attributable to his own willful negligence. An ADR pension for a non-Enhanced member is 50% of a member's Final Average Salary. An ADR pension for an Enhanced member is 75% of a member's Final Average Salary.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

All of the above retirement allowances, except for Enhanced Plan ODR/ADR retirement allowances, are reduced by one-half of the member's Social Security Benefit attributable to New York State public earnings at age 62, regardless of eligibility for Social Security, except for ODR retirees, in which case the Social Security Offset occurs immediately.

Tier 3/Tier 3 Revised members are eligible for annual Escalation on the retirement allowance: (1) in full, if they have retired for service completing 25 or more years of police service (or elected to defer commencement of their benefit to that 25-year date) or on a reduced basis, by 1/36 for each month that their retirement precedes 25 years; or (2) in full, if they have retired for disability and are Non-Enhanced members; or (3) in full, to their beneficiary for accidental death benefits. Escalation is determined from the change in the CPI-U based on the prior year ending December 31, not greater than 3% nor less than -3% in the event of a decrease. Tier 3/Tier 3 Revised members, when eligible, receive the greater of the applicable increase from COLA or Escalation. Tier 3 Enhanced members who retire for disability are not entitled to Escalation.

Tier 3 Enhanced Members contribute 3% of pensionable earnings plus an additional contribution rate to help fund the enhanced disability benefit. Currently, the additional contribution rate is 1% that can be raised to 3% based on a financial analysis by the Office of the Actuary every three years. At no time can the total contribution rate exceed 6%.

#### VSFs

VSF benefits are payable to members who retire for a Service pension, regardless of tier.

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

- For a Police Superior Officer hired before July 1, 1988, who retires from service as a Police Superior Officer on or after October 1, 1988, the annual benefit was \$5,000 in Calendar Year 1993. For those who retired during the Calendar 1993, the annual \$5,000 benefit was prorated.

The annual benefit increases \$500 each year thereafter to a maximum of \$12,000 in Calendar Year 2007 and thereafter.

- For those who were members of the QPP prior to July 1, 1988, and who retire after Calendar Year 1993, the annual benefit payment is the scheduled amount described above prorated in the year of retirement and the full amount thereafter.
- For those who become members of the QPP on or after July 1, 1988, the annual supplemental benefit is \$2,500 for the first 12 months of retirement, which increases by \$500 each year until a maximum of \$12,000 is payable in the 20<sup>th</sup> and later years of retirement. This was later modified by Chapter 444 of the Laws of 2001 ("Chapter 444/01") such that these members will receive the maximum \$12,000 benefit beginning Calendar Year 2008.

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

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

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

- For those who become members of the QPP on or after July 1, 1988, the annual supplemental benefit is \$2,500 for the first 12 months of retirement, which increases by \$500 each year until a maximum of \$12,000 is payable in the 20<sup>th</sup> and later years of retirement. This was modified by Chapter 503 of the Laws of 1995 ("Chapter 503/95") such that these members will receive the maximum \$12,000 benefit beginning Calendar Year 2008 and thereafter.

Chapter 503 of the Laws of 1995 ("Chapter 503/95") amended the ACNY in relation to the transfer of assets, liabilities and administration of certain pension funds in the New York City Police Department. In addition, this law permits certain active employees with prior service credit before entering the QPP to utilize their original dates of hire for determining eligibility for benefits from the PSOVSF and POVSF.

In addition to the VSF benefits discussed earlier, Chapter 216 of the Laws of 2002 ("Chapter 216/02") provides that all participants of the PSOVSF and POVSF who retire for service from the QPP on and after January 1, 2002, with more than 20 years of credited service are entitled to the Deferred Retirement Option Plan ("DROP"). The DROP, also known as "Banked Variable," represents the VSF payments that the member would have received had he retired for service upon reaching eligibility. The DROP payment is an eligible distribution that may be rolled over pursuant to Internal Revenue Service regulations. Members who retired for a disability or die in active service are not eligible for the VSF DROP.

Any increase in the amount of ad-hoc cost-of-living increases ("Supplementation") or automatic COLA payable from the QPP to a retiree of the PSOVSF under legislation enacted on or after January 1, 1993 or to a retiree of the POVSF under legislation enacted on or after January 1, 1988, will reduce benefits payable from the PSOVSF or POVSF to such retiree by an amount equal to such increase until the following date:

- For a retiree with a date of membership before July 1, 1988, the later of: (a) the first day of the month following the month such retiree attains age 62; and (b) January 1, 2007.
- For a retiree with a date of membership on or after July 1, 1988, the later of: (a) the first day of the month following the month such retiree attains age 62; and (b) the earlier of: (1) the first day of the month following the 19th anniversary of such retiree's date of retirement; and (2) January 1, 2008.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The Funds use 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 by the QPP when the employer makes payroll deductions from QPP members. Employer contributions are recognized when due and the employer has a legal obligation to provide the contributions. Benefit payments and withdrawals are recognized when due and payable in accordance with the terms of the Funds.

**Use of Estimates** - The preparation of combining financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

**Cash and Cash Equivalents** - Cash equivalents consist of financial instruments with original maturity dates of three months or less.

**Investment Valuation** - Investments are reported at fair value. Fair value is defined as the quoted market price at the end of the last trading day for the specified period, except for alternative investments which are considered long term and illiquid in nature. Alternative investments consist of limited partnership structures invested in privately held investments for which exchange quotations are not readily available and are valued at estimated fair value as determined in good faith by the General Partner ("GP"). These investments are initially valued at cost with subsequent adjustments that reflect third-party transactions, financial operating results and other factors deemed relevant by the GP. Fair value is determined by plan management based on information provided by the various GPs after review by an independent consultant and the custodian bank for the funds. They include investments held within Hedge Funds, Private Equity, Real Estate, Opportunistic-Fixed Income, and Infrastructure.

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.

**Income Taxes** - Income earned by the Funds is not subject to federal income tax.

**Accounts Payable** - Accounts payable is principally comprised of amounts owed to the Funds' banks for overdrawn bank balances. The Funds' practice is to fully invest cash balances in most bank accounts on a daily basis. Overdrawn balances result primarily from outstanding benefit checks that are presented to the banks for payment on a daily basis and these balances are routinely settled each day.

**Accrued Benefits Payable** - Accrued benefits payable represents benefits due and unpaid by the Funds as of the fiscal year end.

**Securities Lending Transactions** - State statutes and Board policies permit the Funds to lend its investments to broker-dealers and other entities for collateral, 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 Funds' agent lends the following types of securities: short-term securities, common stocks, long-term corporate bonds, U.S. Government and U.S. Government agency bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, the Funds receive collateral in the form of cash, U.S. Treasury and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At June 30, 2021 and 2020, management believes that the Funds had no credit risk exposure because the fair value of collateral held by the Funds equaled or exceeded the fair value of securities lent to the borrowers. The contracts with the Funds' Securities Lending Agent (the "Agent") require the Agent to indemnify the Funds. In the situation when a borrower goes into default, the Agent will liquidate the collateral to purchase replacement securities. Any shortfall before the replacement securities cost and the collateral value is covered by the Agent. All securities loans can be terminated on demand within a period specified in each agreement by either the Funds or the borrowers. Cash collateral is invested by the securities lending agent using approved Lender's Investment guidelines. The weighted-average maturity is 50.51 days for Collateral Investments. The securities lending program in which the Funds participate only allows pledging or selling securities in the case of borrower default.

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 statement of fiduciary net position. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are also reported as assets if the government entity has the ability to pledge or sell them without a borrower default. Accordingly, the Funds recorded the

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

investments purchased with the cash collateral as collateral from securities lending with a corresponding liability for securities lending. Securities on loan are carried at fair value and the value as of June 30, 2021 and 2020 was \$5.4 billion and \$3.4 billion, respectively, for the QPP, \$271.9 million and \$80.5 million, respectively, for the PSOVSF, and \$162.4 million and \$53.6 million, respectively, for the POVSF. Cash collateral received related to securities lending as of June 30, 2021 and 2020 was \$5.5 billion and \$3.4 billion, respectively, for the QPP, \$268.8 million and \$77.8 million, respectively, for the PSOVSF, and \$160.5 million and \$51.8 million, respectively, for the POVSF.

GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72") describes fair value as an exit price, requiring investments to be categorized under a fair value hierarchy prescribed by GASB. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels based on market price observability. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

#### NOTE 3 - INVESTMENTS AND DEPOSITS

The Comptroller acts as an investment advisor to the Funds. In addition, the Funds employ several independent investment consultants as investment advisors. The Funds utilize several investment managers to manage the long-term debt and equity portfolios. The managers are regularly reviewed, with regard to both their investment performance and their adherence to investment guidelines.

The Funds' investment policy is approved by the respective Boards of Trustees of the Funds. The Funds' investment policy is implemented using a strategic allocation of assets that meets their objectives, while working within the confines of the ACNY and the RSSL. The ACNY authorizes the investment in assets, except equities, subject to the terms, conditions, limitations and restrictions imposed by law for investment by savings banks. Equity investments may be made only in stocks that meet the qualifications of the State RSSL. Short-term investments may be made in U.S. Government securities or other securities fully guaranteed by the U.S. Government, commercial paper rated A1 or P1 or fully collateralized repurchase agreements. Investments up to 25% of total assets held by the Funds may be made in instruments not expressly permitted by the RSSL.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

The Funds do not possess an investment risk policy statement, nor do they actively manage assets to specified risk targets. Rather, investment risk management is an inherent function of the asset allocation process. Assets are diversified over a broad range of asset classes and encompass multiple investment strategies aimed at limiting concentration risk. The policy asset allocation targeted for the Funds in Fiscal Years 2021 and 2020 included securities in the following categories:

	2021	2020
U.S. equity	30.0%	31.0%
Core U.S. fixed	14.0	11.0
EAFE markets	8.0	9.0
Private equities	8.0	7.0
Emerging market	5.0	6.0
High yield	7.0	7.0
Real estate	7.0	8.0
Infrastructure	3.0	2.0
Hedge funds	6.0	6.0
TIPS	5.0	4.0
Opportunistic fixed	5.0	5.0
Bank loans	-	2.0
ETI	2.0	2.0
Total	100.00%	100.00%

State Street Bank and Trust Company is the primary custodian for substantially all the securities of the Funds.

**Concentrations:** In accordance with RSSL section 177, no investment in any individual company may represent more than 2% of the Plan's total net assets or 5% of the company's total outstanding shares. Exclusions apply for obligations of the United States, or those for which the faith of the United States is pledged to provide payment of the interest and principal.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Credit Risk** - The possibility of a loss or default resulting from a borrower's inability to repay a loan or fulfill its contractual debt obligations. Portfolios other than U.S. Government and related portfolios, have credit rating limitations. Investment Grade portfolios are limited to mostly ratings, of BBB/Baa2 and above, except that they are also permitted a 10% maximum exposure to BB & B/Ba2 & B2 rated securities. While high yield non-investment grade managers primarily invest in BB & B / Ba2 & B2 rated securities, they can also invest up to 10% of their portfolio in securities rated CCC/Caa2. The quality ratings of the Funds' investments, by percentage of the rated portfolio, as described by nationally recognized statistical rating organizations, at June 30, 2021 and 2020 are as follows:

Investment type and fair value June 30, 2021	Moody's Quality Ratings																Caa & Below	NR	Total	
	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3				
U.S. government	38.57%	0.02%	0.01%	-	-	-	-	-	-	-	-	0.01%	-	-	-	-	-	0.73%	39.34%	
Corporate bonds	0.83%	0.18%	0.18%	0.14%	0.89%	3.06%	2.47%	3.20%	4.02%	4.23%	2.24%	3.06%	3.64%	3.88%	3.33%	3.30%	3.91%	7.22%	49.78%	
Short term																				
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.83%	2.83%
Pooled fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.90%	4.90%
Discount notes and T-bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.15%	3.15%
Percent of rated portfolio	<u>39.40%</u>	<u>0.20%</u>	<u>0.19%</u>	<u>0.14%</u>	<u>0.89%</u>	<u>3.06%</u>	<u>2.47%</u>	<u>3.20%</u>	<u>4.02%</u>	<u>4.23%</u>	<u>2.24%</u>	<u>3.07%</u>	<u>3.64%</u>	<u>3.88%</u>	<u>3.33%</u>	<u>3.30%</u>	<u>3.91%</u>	<u>18.83%</u>	<u>100.00%</u>	

  

Investment type and fair value June 30, 2020	Moody's Quality Ratings																Caa & Below	NR	Total	
	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3				
U.S. government	47.52%	0.04%	0.05%	0.02%	0.04%	0.01%	0.02%	0.09%	0.14%	0.01%	0.01%	-	-	-	-	-	-	1.30%	49.25%	
Corporate bonds	0.81%	0.31%	0.26%	0.40%	0.67%	2.03%	2.54%	2.61%	3.25%	3.47%	1.87%	2.36%	3.28%	2.94%	3.15%	2.22%	2.36%	6.89%	41.42%	
Short term																				
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.39%	1.39%
Pooled fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.24%	3.24%
Discount notes and T-bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.70%	4.70%
Percent of rated portfolio	<u>48.33%</u>	<u>0.35%</u>	<u>0.31%</u>	<u>0.42%</u>	<u>0.71%</u>	<u>2.04%</u>	<u>2.56%</u>	<u>2.70%</u>	<u>3.39%</u>	<u>3.48%</u>	<u>1.88%</u>	<u>2.36%</u>	<u>3.28%</u>	<u>2.94%</u>	<u>3.15%</u>	<u>2.22%</u>	<u>2.36%</u>	<u>17.52%</u>	<u>100.00%</u>	

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

Consistent with the Funds' investment policy, the investments are held by the Funds' custodian and registered in the name of the Funds. All of the Funds' deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") (subject to the FDIC limit or \$250K per plan per member) and/or collateralized by securities held by a financial institution separate from the Funds' depository financial institution. However, the plans cash balances can exceed FDIC insured limits. Non-invested cash is swept into a State Street Short-Term investment intraday account, which is not FDIC insured.



**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Interest Rate Risk** - The risk that the value of debt securities will be affected by fluctuations in market interest rates. Although there is no formal interest rate risk management policy, the duration of the portfolio, relative to the duration of the portfolio's benchmark, is monitored by the Comptroller's Bureau of Asset Management. The lengths of investment maturities (in years) of the Funds' investments, as shown by the percent of the rated portfolio, at June 30, 2021 and 2020, are as follows:

Years to Maturity Investment Type June 30, 2021	Investment Maturities (in Years)				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. government	39.35%	0.01%	11.01%	5.47%	22.86%
Corporate bonds	49.76	0.70	19.81	18.43	10.82
Short term:					
Commercial paper	2.83	2.83	-	-	-
Pooled fund	4.90	4.90	-	-	-
Discount notes	3.16	3.16	-	-	-
Percent of rated portfolio	<u>100.00%</u>	<u>11.60%</u>	<u>30.82%</u>	<u>23.90%</u>	<u>33.68%</u>

Years to Maturity Investment Type June 30, 2020	Investment Maturities (in Years)				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. government	49.25%	0.01%	11.79%	7.14%	30.30%
Corporate bonds	41.42	1.07	19.43	12.80	8.13
Short term:					
Commercial paper	1.39	1.39	-	-	-
Pooled fund	3.24	3.24	-	-	-
Discount notes	4.70	4.70	-	-	-
Percent of rated portfolio	<u>100.00%</u>	<u>10.41%</u>	<u>31.22%</u>	<u>19.94%</u>	<u>38.43%</u>

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in the exchange rates will adversely impact the fair value of an investment. Currency risk is present in underlying portfolios that invest in foreign stock and/or bonds. The currency markets are effective diversifiers in a total portfolio context; therefore, the Funds have numerous managers that invest globally. In general, currency exposure is viewed as a benefit for its diversification reasons and not as an inherent risk within the portfolio. Foreign currency exposures of the Funds' investments as of June 30, 2021 and 2020, are as follows:

Trade Currency	(in USD, in thousands)	
	June 30, 2021 Fair Value	June 30, 2020 Fair Value
Euro Currency	\$ 2,651,123	\$ 2,002,380
Japanese Yen	1,014,524	958,864
Hong Kong Dollar	1,112,598	949,466
Pound Sterling	802,227	639,935
Swiss Franc	493,844	386,492
South Korean Won	535,611	360,787
New Taiwan Dollar	479,676	331,634
Indian Rupee	449,983	262,603
Canadian Dollar	336,544	229,136
Australian Dollar	260,758	189,487
Danish Krona	192,826	162,443
Brazilian Real	164,043	113,859
Swedish Krona	153,944	110,999
South African Rand	98,591	99,376
Chinese Yuan Renminbi	106,643	71,860
Singapore Dollar	87,384	61,954
Thailand Baht	43,238	57,904
Indonesian Rupiah	45,270	56,914
China Yuan (Offshore)	49,984	52,433
Mexican Peso (New)	49,118	50,513
Norwegian Krone	60,014	43,300
Malaysian Ringgit	24,433	37,885
Turkish Lira	10,678	33,748
Polish Zloty	46,720	31,679
Philippine Peso	9,858	20,831
Hungarian Forint	23,137	17,000
Chilean Peso	8,558	16,112
Uae Dirham	14,552	15,556
New Israeli Sheqel	16,368	15,104
Qatari Rial	9,208	13,670
New Zealand Dollar	9,185	8,401
Czech Koruna	7,449	7,248
Colombian Peso	2,279	6,263
Kuwaiti Dinar	5,188	5,300
Romanian Leu	2,463	3,669
Egyptian Pound	1,089	3,164
Russian Ruble	3,339	2,856
Nigerian Naira	2,299	2,606
Pakistan Rupee	351	2,488
Kenyan Shilling	-	1,958
Jordanian Dinar	-	1,911
Moroccan Dirham	-	1,890
Croatian Kuna	-	1,863
Mauritius Rupee	-	1,762
Omani Rial	-	1,647
Botswana Pula	-	947
Peruvian Nouveau Sol	32	757
Tunisian Dinar	56	698
Ghana Cedi	-	409
	<u>\$ 9,385,188</u>	<u>\$ 7,449,761</u>

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Securities Lending Transactions: Credit Risk** - The quality ratings of investments held as collateral for Securities Lending by the Funds at June 30, 2021 and 2020, are as follows:

Securities lending Credit quality June 30, 2021 (in thousands)	Moody's Quality Ratings											
	Aaa	Aa & Below	A1	A2	A3	Baa2	Ba & Below	B & Below	Caa & Below	Ca & Below	NR	Total
Short term:												
Reverse repurchase agreements	\$ -	\$ -	\$ -	\$ 614,876	\$ 1,907,251	\$ 38,080	\$ -	\$ -	\$ -	\$ -	\$ 2,291,240	\$ 4,851,447
Money market	405,285	-	-	-	-	-	-	-	-	-	36,650	441,935
Cash or cash equivalent	-	-	588,245	-	-	-	-	-	-	-	-	588,245
Uninvested	-	-	-	-	-	-	-	-	-	-	9,449	9,449
<b>Total</b>	<b>\$ 405,285</b>	<b>\$ -</b>	<b>\$ 588,245</b>	<b>\$ 614,876</b>	<b>\$ 1,907,251</b>	<b>\$ 38,080</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,337,339</b>	<b>\$ 5,891,076</b>
By percent	6.88%	-%	9.99%	10.44%	32.37%	0.65%	-%	-%	-%	-%	39.67%	100.00%
Securities lending Credit quality June 30, 2020 (in thousands)	Moody's Quality Ratings											
	Aaa	Aa & Below	A1	A2	A3	Baa2	Ba & Below	B & Below	Caa & Below	Ca & Below	NR	Total
Short term:												
Reverse repurchase agreements	\$ -	\$ -	\$ 125,000	\$ 187,059	\$ 889,529	\$ 35,229	\$ -	\$ -	\$ -	\$ -	\$ 1,650,245	\$ 2,887,062
Money market	248,273	-	-	-	-	-	-	-	-	-	53,033	301,306
U.S. agency	-	-	-	-	-	-	-	-	-	-	14,637	14,637
Cash or cash equivalent	-	-	355,858	-	-	-	-	-	-	-	-	355,858
Uninvested	-	-	-	-	-	-	-	-	-	-	928	928
<b>Total</b>	<b>\$ 248,273</b>	<b>\$ -</b>	<b>\$ 480,858</b>	<b>\$ 187,059</b>	<b>\$ 889,529</b>	<b>\$ 35,229</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,718,843</b>	<b>\$ 3,559,791</b>
By percent	6.97%	-%	13.51%	5.25%	24.99%	0.99%	-%	-%	-%	-%	48.29%	100.00%

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Interest Rate Risk** - The lengths of investment maturities (in years) of the collateral for Securities Lending held by the Funds at June 30, 2021 and 2020, are as follows:

Investment Type June 30, 2021 (In thousands)	Investment Maturities (in Years)				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Short term:					
Reverse repurchase agreements	\$ 4,851,447	\$ 4,851,447	\$ -	\$ -	\$ -
Money market funds	441,935	441,935	-	-	-
Cash or cash equivalent	588,245	588,245	-	-	-
Uninvested	9,449	9,449	-	-	-
Total	<u>\$ 5,891,076</u>	<u>\$ 5,891,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percent of securities lending portfolio	<u>100.00%</u>	<u>100.00%</u>	<u>-%</u>	<u>-%</u>	<u>-%</u>

Investment Type June 30, 2020 (In thousands)	Investment Maturities (in Years)				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Short term:					
Reverse repurchase agreements	\$ 2,887,062	\$ 2,887,062	\$ -	\$ -	\$ -
Money market funds	301,306	301,306	-	-	-
U.S. agencies	14,637	14,637	-	-	-
Cash or cash equivalent	355,858	355,858	-	-	-
Uninvested	928	928	-	-	-
Total	<u>\$ 3,559,791</u>	<u>\$ 3,559,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percent of securities lending portfolio	<u>100.00%</u>	<u>100.00%</u>	<u>-%</u>	<u>-%</u>	<u>-%</u>

**Rate of Return** - For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, for the Funds was as follows:

	2021	2020
QPP	26.37%	4.74%
PSOVSF	25.95%	4.07%
POVSF	25.40%	4.33%

The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

In Fiscal Year 2015, the Funds adopted GASB 72. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**GASB 72 - Level Inputs**

The Funds categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Funds have the following recurring fair value measurements as of June 30, 2021 and June 30, 2020:

GASB 72 - Disclosure (In thousands)	2021			
	Level 1	Level 2	Level 3	Total
Investments - at fair value				
Short-term investments:				
Commercial paper	\$ -	\$ 475,493	\$ -	\$ 475,493
Short-term investment fund	-	700,824	-	700,824
U.S. treasury bills and agencies	-	505,372	-	505,372
Fixed income securities:				
Bank loans	-	190,030	1,501	191,531
Corporate and other	-	7,200,430	52,615	7,253,045
Mortgage debt securities	-	2,206,428	-	2,206,428
Treasury inflation-protected securities	-	1,663,785	-	1,663,785
U.S. government and agency	-	2,777,756	-	2,777,756
Equity securities:				
Domestic equity	19,835,938	5,331	4,339	19,845,608
International equity	5,938,085	62	55,338	5,993,485
Collective trust funds:				
Bank loans	-	1,859	-	1,859
Corporate and other	-	536,852	11	536,863
Domestic equity	357,280	-	440	357,720
International equity	2,670,764	-	1,873	2,672,637
Mortgage debt securities	-	610,037	117,861	727,898
Opportunistic-fixed income	7,369	149,408	4,747	161,524
U.S. government and agency	-	738,853	-	738,853
Alternative investments:				
Infrastructure	-	-	639,870	639,870
Opportunistic-fixed income	-	-	1,633,488	1,633,488
Private equity	5,492	-	3,603,239	3,608,731
Private real estate	-	-	2,459,043	2,459,043
Total investments, at fair value	<u>\$ 28,814,928</u>	<u>\$ 17,762,520</u>	<u>\$ 8,574,365</u>	55,151,813
Alternative investments (Hedge Funds*) valued at NAV				<u>2,794,311</u>
Total investments				<u>\$ 57,946,124</u>

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

GASB 72 - Disclosure (In thousands)	2020			
	Level 1	Level 2	Level 3	Total
Investments - at fair value				
Short-term investments:				
Commercial paper	\$ -	\$ 310,555	\$ -	\$ 310,555
Short-term investment fund	-	294,602	-	294,602
U.S. treasury bills and agencies	-	642,933	-	642,933
Fixed income securities:				
Bank loans	-	222,532	4,325	226,857
Corporate and other	-	4,340,523	56,385	4,396,908
Mortgage debt securities	-	1,377,705	-	1,377,705
Treasury inflation-protected securities	-	1,710,665	-	1,710,665
U.S. government and agency	-	3,069,573	-	3,069,573
Equity securities:				
Domestic equity	15,121,160	124	6,807	15,128,091
International equity	2,813,778	-	482	2,814,260
Collective trust funds:				
Bank loans	-	492,540	21,657	514,197
Corporate and other	-	550,686	33	550,719
Domestic equity	539,712	-	1,142	540,854
International equity	4,189,386	-	3,627	4,193,013
Mortgage debt securities	-	598,639	114,320	712,959
Opportunistic-fixed income	4,103	127,795	5,872	137,770
U.S. government and agency	-	700,194	-	700,194
Alternative investments:				
Infrastructure	-	-	504,681	504,681
Opportunistic-fixed income	-	-	1,354,060	1,354,060
Private equity	4,575	-	2,484,993	2,489,568
Private real estate	-	-	2,181,695	2,181,695
Total investments, at fair value	<u>\$ 22,672,714</u>	<u>\$ 14,439,066</u>	<u>\$ 6,740,079</u>	43,851,859
Alternative investments (Hedge Funds*) valued at NAV				<u>2,955,325</u>
Total investments				<u>\$ 46,807,184</u>

\* Hedge Funds that do not have a readily determinable fair value and are measured at fair value using the net asset value ("NAV") per share (or its equivalent) as a practical expedient ("NAV Practical Expedient"), have not been classified in the fair value hierarchy.

**Equity and Fixed Income Securities**

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fixed income and equity securities classified in Level 3 of the fair value are securities whose stated market price is unobservable by the marketplace, many of these securities are priced by the issuers or industry groups for these securities. Fair Value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Funds' custodian bank. Fixed income and equity securities held in collective trust funds are held in those funds on behalf of the pension system and there is no restriction on the use and or liquidation of those assets for the exclusive benefit of the Funds' participants.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

#### ***Collective Trust Funds***

Collective trust funds are separately managed accounts which are owned 100% by The City's pension systems. The investments underlying the collective trust funds are presented as Level 1, Level 2 or Level 3 based on their respective fair value hierarchy classifications.

#### ***Alternative Investments***

Alternative investments include Private Equity, Real Estate, Opportunistic-Fixed Income and Infrastructure Investments. These are investments for which exchange quotations are not readily available and are valued at NAV calculated by the GP's valuation policy. Alternative investments are mainly illiquid and typically not sold or redeemed. The assets in the Funds' Alternative investment program are classified as Level 3 assets. A more detailed explanation of the Level 3 valuation methodologies follows:

Investments in non-public equity securities should be valued by the GP or the fund administrator using one or more valuation methodologies outlined in GASB 72, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of fair value for equity securities in which no liquid trading market exists can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value/latest 12 months earnings before interest, taxes, depreciation and amortization ("EBITDA") or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach to measure fair value.

In the market approach, valuation multiples that are relevant to the industry and company in the investments held should be considered and relied upon. Valuation multiples should be assessed and may be adjusted on a go-forward basis based on the business risk associated with the subject company in which the investment is held. In addition, the implied entry multiples should be considered as benchmarks in valuing unlisted equity. In circumstances where no financial performance metrics are available, the GP should rely on other non-financial related metrics applicable to relevant progress from the original investment date to the valuation date. In the income or discounted cash flow approach, forecasted cash flows that may be generated by the subject company are discounted to present value at an appropriate discount rate. These methodologies can be utilized to determine an enterprise value ("Enterprise Valuation Methodologies") from which net debt is subtracted to estimate equity value.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 in the fair value hierarchy.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Alternative investments are not fully funded upon subscribing to the investment. The GP can draw down or call for capital as the fund goes into more investments or when the need arises such as expenses associated with the partnership. The residual balance of uncalled capital is also known as unfunded commitments which are restricted to the maximum amount of the limited partners total committed amount.

The fair value quantities presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the entity's combining financial statements. The following table below displays details the fair value, redemption terms, redemption notice periods, gates and redemption holdback amounts.



**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

NAV Practical Expedient (dollars in thousands)

June 30, 2021 Fair Value	Redemption Terms	Redemption Notice Period	Gate	Redemption Holdback
\$ 192,348	Monthly redeeming on Last Business Day (Shares can be redeemed and any time other than the last Business day of the month but are subject to 1.5% fee)	3 Calendar days notice	No	5%
	80,014 Semester Calendar redeeming on Last Business Day Of Month	60 Calendar days notice	No	10%
248,943	Quarterly redeeming on Last Business Day Of Month	90 Calendar days	Yes This fund imposes a 25% investor level gate with slower liquidation schedule.	10%
300,443	Quarterly Calendar redeeming on Last Business Day Of Month	75 Calendar days notice	This fund may impose a 8.3% fund level gate with slower liquidation schedule.	10%
142,520	Last Business Day Of March, June, September or December	44 Calendar days notice	Fund level Gate 25% at manager's discretion	10%
4,125	Illiquid - periodic distributions and other	Illiquid - periodic distributions	No	0-10%
131,606	Monthly redeeming on First Business Day	30 Calendar days notice	Up to 10% of the NAV of their BMS Units Shares	5%
60,573	Monthly redeeming on First Business Day	30 Calendar days notice	No	5%
99,808	Monthly redeeming on Last Business Day	30 Calendar days notice	20% Firm level gate	5%
189,451	Daily redeeming	2 Calendar days notice (no later than 5:00pm. Dublin time)	No	N/A
164,071	Quarterly Calendar redeeming on Last Business Day Of Month	65 Calendar days notice	25% investor level	5%
78,405	Monthly redeeming on Last Business Day Of Month	90 Calendar days notice	No	10%
256,677	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	No	5%
261,195	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	25% Fund level gate	5%
172,780	Quarterly Calendar redeeming on Last Business Day Of Month	60 Calendar days notice	Yes This fund imposes a 33.3% investor level gate with slower liquidation schedule.	5%
64,288	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	Yes This fund imposes a 25% investor level gate with slower liquidation schedule.	5%
167,375	Quarterly Calendar redeeming on Last Business Day Of Month	45 Calendar days notice	This fund imposes a 25% Fund level gate with slower liquidation schedule. This fund may impose a 25% Fund level gate with slower liquidation schedule.	5%
29,505	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	1%
108,520	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	1%
41,664	Monthly redeeming on First Business Day Of Month	90 Calendar days notice	No	1%
<u>\$ 2,794,311</u>	Total Hedge Funds (dollars in thousands)			

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

June 30, 2020 Fair Value	Redemption Terms	Redemption Notice Period	Gate	Redemption Holdback
\$ 186,203	Monthly redeeming on Last Business Day (Shares can be redeemed and any time other than the Last Business Day of the Month but are subject to 1.5% fee)	3 Calendar days notice	No	5%
55,079	Semester Calendar redeeming on Last Business Day Of Month	60 Calendar days notice	No	10%
364,903	Quarterly redeeming on First Business Day Of Month	153 Calendar days notice	10% master fund level and 25% investor level	N/A
			Yes	
206,037	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days	This fund imposes a 25% investor level gate with slower liquidation schedule.	10%
252,245	Quarterly Calendar redeeming on Last Business Day Of Month	75 Calendar days notice	This fund may impose a 8.3% fund level gate with slower liquidation schedule	10%
120,282	Quarterly Calendar redeeming on Last Business Day Of Month	44 Calendar days notice	Fund level Gate 25% at manager's discretion	10%
149,950	Illiquid - periodic distributions and other	Illiquid - periodic distributions	No	0-10%
117,368	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	5%
45,000	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	5%
35,156	Monthly redeeming on Last Business Day Of Month	15 Calendar days notice	No	3%
56,327	Monthly redeeming on Last Business Day	30 Calendar days notice	20% Firm level gate	5%
175,889	Daily redeeming	2 Calendar days notice	No	N/A
71,811	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	3%
166,955	Quarterly Calendar redeeming on Last Business Day Of Month	65 Calendar days notice	25% investor level	5%
76,985	Monthly redeeming on Last Business Day Of Month	90 Calendar days notice	No	10%
198,353	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	No	5%
189,581	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	25% Fund level gate	5%
			Yes	
137,620	Quarterly Calendar redeeming on Last Business Day Of Month	60 Calendar days notice	This fund imposes a 33.3% investor level gate with slower liquidation schedule.	5%
			Yes	
39,350	Quarterly Calendar redeeming on Last Business Day Of Month	90 Calendar days notice	This fund imposes a 25% investor level gate with slower liquidation schedule.	5%
			Yes	
118,933	Quarterly Calendar redeeming on Last Business Day Of Month	45 Calendar days notice	This fund imposes a 12.5% investor level gate with slower liquidation schedule. This fund may impose a 25% Fund level gate with slower liquidation schedule.	5%
41,889	Monthly redeeming on First Business Day Of Month	30 Calendar days notice	No	1%
108,406	Monthly redeeming on First Business Day Of Month	90 Calendar days notice	No	5%
41,003	Monthly redeeming on First Business Day Of Month	90 Calendar days notice	No	1%
<u>\$ 2,955,325</u>	Total Hedge Funds			

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 4 - TRANSFER TO VARIABLE SUPPLEMENTS FUNDS**

The ACNY provides that the QPP transfer to the VSFs an amount equal to certain excess earnings on equity investments, limited to the unfunded actuarial present value (“APV”) of accumulated plan benefits for each VSF. Excess earnings are defined as the amount by which earnings on equity investments of the QPP exceed what those earnings would have been had such funds been invested at a yield comparable to that available from fixed-income securities (“Hypothetical Fixed Income Security Earnings” or “HFISE”), less any cumulative deficiencies of prior years’ excess earnings that fell below the yield of fixed income investments. The VSFs also receive credit for investment earnings on VSF assets.

The calculation of the HFISE requires the determination of the Hypothetical Interest Rate (“HIR”), which is computed by the Comptroller.

For Fiscal Year 2021, the preliminary excess earnings of the QPP are reported on the combining financial statements for the year ended June 30, 2021 to be equal to \$0 (after limiting the unfunded APV of accumulated plan benefits), where \$0 was reported as a liability from the QPP to the POVSF and \$0 million was reported as a liability from the QPP to the PSOVSF.

For Fiscal Year 2020, the preliminary excess earnings of the QPP are reported on the combining financial statements for the year ended June 30, 2020 to be equal to \$284 million, where \$143 million was reported as a liability from the QPP to the POVSF and \$141 million was reported as a liability from the QPP to the PSOVSF.

In addition, under Chapter 3 of the Laws of 2013, if the assets of the POVSF or PSOVSF are less than the amount required to pay the retirees’ guaranteed supplemental benefit payments, then an amount sufficient to pay such benefits shall be appropriated from the Contingent Reserve Fund of the QPP.

The amounts shown for the APV of accumulated plan benefits, are the measure of the present value of scheduled supplemental benefits estimated to be payable in the future as a result of employee service to date. It is calculated as the actuarial present value of credited projected benefits, prorated on service, and is intended to help users assess the funded status of the VSFs on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make a comparison among VSFs.

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

A comparison of the APV of accumulated plan benefits as calculated by the Funds’ Chief Actuary (the “Actuary”) with the net position restricted for benefits for the POVSF and the PSOVSF as of June 30, 2020 and June 30, 2019, is as follows:

(In millions)	POVSF		PSOVSF	
	2020 <sup>2</sup>	2019	2020 <sup>2</sup>	2019
APV of accumulated plan benefits for:				
Retirees currently receiving benefits	\$ 1,558.8	\$ 1,594.4	\$ 2,400.5	\$ 2,452.4
Active members	440.8	386.7	1,360.7	1,243.6
Total APV of accumulated plan benefits	1,999.6	1,981.1	3,761.2	3,696.0
Net position held in trust for benefits <sup>1</sup>	1,809.1	1,868.4	3,076.8	2,786.3
Unfunded APV of accumulated plan benefits	\$ 190.5	\$ 112.7	\$ 684.4	\$ 909.7

<sup>1</sup> See Note 2 for valuation of investments in the calculation of net position restricted for benefits. Reflects net position not inclusive of the SKIM amounts payable for the respective year and includes an adjustment made for accrued benefits payable for the respective year.

<sup>2</sup> Preliminary.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

For purposes of the June 30, 2020 and the June 30, 2019 actuarial valuations of the VSFs, Chapter 125/00 has been taken into account in the determination of the unfunded APV of accumulated plan benefits relative to the Supplementation benefit increases that began Fiscal Year 2001 and the automatic COLA that began Fiscal Year 2002 (see Note 1).

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

The following actuarial assumptions represent the recommendations of the Actuary and were used in the actuarial calculations to determine the preceding APV of accumulated plan benefits as of June 30, 2020 and June 30, 2019:

	<u>June 30, 2020<sup>1</sup></u>	<u>June 30, 2019</u>
Investment rate of return	7.00% per annum. <sup>2</sup>	7.0% per annum. <sup>2</sup>
Post-retirement mortality	Tables adopted by the Board of Trustees during Fiscal Year 2019.	Tables adopted by the Board of Trustees during Fiscal Year 2019.
Active service: withdrawal, death, and disability	Tables adopted by the Board of Trustees during Fiscal Year 2019.	Tables adopted by the Board of Trustees during Fiscal Year 2019.
Service retirement	Tables adopted by the Board of Trustees during Fiscal Year 2019.	Tables adopted by the Board of Trustees during Fiscal Year 2019.
Percentage of all active POLICE members estimated to retire for service with 20 or more years of service as Police Officers	40%	40%
Percentage of all active POLICE Superior Officers estimated to retire for service with 20 or more years of service as POLICE Superior Officers	100%.	100%.
Cost-of-Living Adjustments <sup>2</sup>	1.5% per annum Auto Cola. 2.5% per annum for Escalation.	1.5% per annum Auto Cola. 2.5% per annum for Escalation.

<sup>1</sup> Preliminary.

<sup>2</sup> Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 5 - QPP CONTRIBUTIONS**

The financial objective of the QPP 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. The employer contributes amounts that, together with Member Contributions and investment income are intended to ultimately be sufficient to accumulate assets to pay benefits when due.

**Member Contributions** - Tier 1 and Tier 2 members contribute by salary deductions on the basis of a normal rate of contribution, based on age and actuarial tables in effect at the time of membership. Member contribution rates are reduced by 5.0% under the ITHP program as defined earlier. Additionally, 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 90% of their own contributions including accumulated interest.

Tier 3 Original/Tier 3 Revised/Tier 3 Enhanced members contribute 3.0% of pensionable earnings pre-tax until attainment of 25 years of credited service. Tier 3 Enhanced members contribute an additional 1.0% (currently 1.0%, to be updated every three years) of pensionable earnings after tax until attainment of 25 years of credited service.

**Employer Contributions** - Statutory Contributions to the QPP, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employer within the appropriate fiscal year. The Statutory Contribution for the year ended June 30, 2021, based on an actuarial valuation as of June 30, 2019 was \$2.4 billion and the Statutory Contribution for the year ended June 30, 2020, based on an actuarial valuation as of June 30, 2018 was \$2.5 billion. The Statutory Contributions for Fiscal Years 2021 and 2020 were equal to the Actuarial Contributions. Refer to the Schedule of Employer Contributions in the accompanying required supplementary information for more information on the actuarial methods and assumptions applied by the Actuary to determine the Statutory Contributions.

**NOTE 6 - NET PENSION LIABILITY**

The components of the net pension liability of the employer at June 30, 2021 and 2020 for the Funds were as follows:

June 30, 2021 (In thousands)	QPP	POVSF	PSOVSF	TOTAL
Total pension liability*	\$ 53,309,898	\$ 2,083,913	\$ 3,909,614	\$ 59,303,425
Fiduciary net position**	51,293,938	2,323,129	3,648,903	57,265,970
Employers' net pension liability	\$ 2,015,960	\$ (239,216)	\$ 260,711	\$ 2,037,455
Fiduciary net position as a percentage of the total pension liability	96.22%	111.48%	93.33%	96.56%

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

June 30, 2020 (In thousands)	QPP	POVSF	PSOVSF	TOTAL
Total pension liability*	\$ 51,317,492	\$ 2,055,136	\$ 3,895,801	\$ 57,268,429
Fiduciary net position**	41,293,014	1,952,107	3,217,735	46,462,856
Employers' net pension liability	\$ 10,024,478	\$ 103,029	\$ 678,066	\$ 10,805,573
Fiduciary net position as a percentage of the total pension liability	80.47%	94.99%	82.59%	81.13%

\* Includes liabilities from Special Accidental Death Benefits pursuant to Section 208-F of the General Municipal Law.

\*\* Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

**Actuarial Methods and Assumptions**

The total pension liability as of June 30, 2021 and 2020 was calculated from the actuarial valuations as of June 30, 2020 (Updated Preliminary) and June 30, 2019 (Preliminary), respectively, that were rolled forward to develop the total pension liability to the respective fiscal year end. The following actuarial assumptions were applied to all periods included in the measurement:

Projected Salary Increases	In general, merit and promotion increase plus assumed General Wage Increases of 3.0% per annum.
Investment Rate of Return	7.0% per annum, net of Investment Expenses.
COLAs	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.

The above assumptions were developed assuming a long-term Consumer Price Inflation assumption of 2.5% per annum.

The Fiscal Year 2021 results reflect changes in the actuarial assumptions and methods from the prior year. These changes reflect refinements and improvements to the actuarial assumptions and methods under the judgment of the Chief Actuary.

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded NYCPS are conducted every two years. The most recent of these studies was performed by Bolton, Inc. and included experience through June 30, 2017.

On January 2, 2019, the Actuary issued a Report titled "Proposed Changes in Actuarial Assumptions and Methods for Determining Employer Contributions for Fiscal Years Beginning on and after July 1, 2018 for the New York City Police Pension Fund." The actuarial assumptions and methods described in that report are referred to as the "2019 A&M."

The June 30, 2020 total pension liability was calculated from the Preliminary June 30, 2019 actuarial valuation, which was based on the 2019 A&M.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

On July 28, 2021, the Actuary issued a memorandum titled "Proposed Changes to Actuarial Assumptions and Methods." The actuarial assumptions and methods described in that memorandum amend certain assumptions and methods from the 2019 A&M. This revised set of actuarial assumptions and methods are referred to as the "Revised 2021 A&M."

The June 30, 2021 total pension liability was calculated from the Updated Preliminary June 30, 2020 actuarial valuation, which was based on the Revised 2021 A&M.

The Entry Age Normal ("EAN") cost method of funding is utilized by the Funds' Actuary to calculate the contribution required of the employer.

Under this method, the Present Value ("PV") of Future Benefits ("PVFB") of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit age(s). The employer portion of this PVFB allocated to a valuation year is the Normal Cost. The portion of this PVFB not provided for at a valuation date by the PV of Future Normal Costs or future member contributions is the Accrued Liability ("AL").

The excess, if any, of the AL over the Actuarial Value of Asset ("AVA") is the Unfunded Accrued Liability ("UAL").

Under this method, actuarial gains and losses, as they occur, reduce and increase the UAL and are explicitly identified and amortized.

Increases or decreases in obligations due to benefit changes, actuarial assumption changes, and actuarial method changes are also explicitly identified and amortized.

The obligations of the QPP to the VSFs are recognized through the Liability Valuation Method. Under this method the APV of Future SKIM from the QPP to the VSFs is included directly as an actuarial liability to the QPP. SKIM is all or a portion of the excess earnings on equity securities of the QPP which are transferable to the VSFs. The APV of Future SKIM is computed as the excess, if any, of the APV of benefits of each individual VSF offset by the AVA of that individual VSF, respectively.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Expected Rate of Return on Investments***

The long-term expected rate of return on the Funds' investments was determined using a building-block method in which best-estimate ranges of expected real rates of return (i.e., expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Markets:		
U.S. public market equities	30.0%	5.1%
Developed public market equities	8.0%	5.8%
Emerging public market equities	5.0%	7.2%
Fixed income	28.0%	2.2%
Private Markets (Alternative Investments):		
Private equity	8.0%	10.0%
Private real estate	7.0%	7.2%
Infrastructure	3.0%	4.6%
Hedge funds	6.0%	3.6%
Opportunistic-fixed income	5.0%	4.9%
Total	<u>100.0%</u>	



**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the rates applicable to the current Tier for each member and that Employer contributions will be made at rates as determined by the Actuary. Based on those assumptions, the Funds' fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active members. Therefore, the long-term expected rate of return on the Funds' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the employer for the Funds of June 30, 2021, calculated using the discount rate of 7.0%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

Net Pension Liability - June 30, 2021 (In thousands)	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
QPP	\$ 8,375,632	\$ 2,015,960	\$ (3,175,317)
POVSF	(44,859)	(239,216)	(443,640)
PSOVSF	627,698	260,711	(107,714)
Total	<u>\$ 8,958,471</u>	<u>\$ 2,037,455</u>	<u>\$ (3,726,671)</u>

**NOTE 7 - MEMBER LOANS**

Tier 1 and 2 members are permitted to borrow up to 90% of their own contributions, including accumulated interest. Loans are repaid at the statutory interest rate of 4%. The balance of QPP member loans receivable at June 30, 2021 and 2020, is \$174.7 million and \$218.6 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. As a result of a review of all member accounts, there were no prior year loans due from retired or inactive employees that were deemed uncollectible in Fiscal Years 2020 and 2019.

**NOTE 8 - RELATED PARTIES**

Pursuant to statute and resolutions, the Comptroller has been appointed as custodian for the assets of the Funds. Securities are held by certain banks under custodial agreements with the Comptroller. The Comptroller, the Financial Information Services Agency ("FISA"), and the Office of Payroll Administration ("OPA") also provide cash receipt and cash disbursement services to the Funds. Actuarial services are provided to the Funds by the New York City Office of the Actuary. The City's Corporation Counsel provides legal services to the Funds. Other administrative services are also provided by The City. The aforementioned services may be provided by employees or officers of The City who may also be participants in the Funds. The cost of providing such services amounted to \$8.7 million and \$8.6 million in Fiscal Years 2021 and 2020, respectively.

**New York City Police Pension Funds**

**NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 9 - ADMINISTRATIVE AND INVESTMENT EXPENSES**

Chapter 292 of the Laws of 2001 provides Corpus funding of administrative expenses for the QPP commencing July 1, 2001 and allows for the appointment of an executive director for the QPP. In Fiscal Year 2021 and Fiscal Year 2020, total administrative expenses of \$24.9 million and \$26.8 million were paid from the assets of the QPP respectively. Investment expenses charged to the investment earnings of the QPP, exclusive of expenses relating to securities-lending transactions, amounted to approximately \$294 million in 2021 and \$229 million in 2020.

In July 2010, the Funds renegotiated their lease agreement to rent office space. The agreement will expire in Fiscal Year 2031. The future minimum rental payments required under this operating lease are as follows:

<u>Fiscal years ending June 30,</u>	<u>Amount</u>
2022 to 2025	\$ 8,878,968
2026	2,444,526
2027 to 2030	9,778,104
2031	52,570

Additionally, the Funds renegotiated their lease agreement to rent additional colocation space in 2019 pursuant to its Disaster Recovery and Business Continuity Plan. The original agreement was signed in February 2010 and terminates on July 14, 2024. The current rental payments required under this lease are as follows:

<u>Fiscal years ending June 30,</u>	<u>Amount</u>
2022	\$ 435,632
2023	444,875
2024	445,617
2025	17,175

Rent expense under the lease agreements for each of the Fiscal Years ended June 30, 2021 and 2020, was approximately \$2.7 million.

**NOTE 10 - CONTINGENT LIABILITIES AND OTHER MATTERS**

**Contingent Liabilities** - The Funds have claims pending against them and have been named as defendant in lawsuits and also have certain other contingent liabilities. Management of POLICE, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Funds' net position or changes in the Funds' net position. Under the existing State statutes and City laws that govern the functioning of the Funds, increases in the obligations of the Funds to members and beneficiaries ordinarily result in increases in the obligations of The City to the Funds.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

**Other Matters** - During Fiscal Years 2021 and 2020, certain events described below took place which, in the opinion of POLICE management, could have the effect of increasing benefits to members and/or their beneficiaries and therefore would increase the obligations of the Funds. The effect of such events has not been fully quantified. However, it is the opinion of POLICE management that such developments would not have a material effect on the Funds' combined net position restricted for benefits or cause changes in the Funds' net position restricted for benefits.

**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. Refer to Note 6 for the results of the most recent actuarial studies for POLICE.

**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 proposed by the Actuary for use in the determination of Employer Contributions.

The most recently completed study was published by Bolton, Inc. dated June 2019. Bolton analyzed experience for the four- and 10-year periods ended June 30, 2017 and made recommendations with respect to the actuarial assumptions and methods based on their analysis. Based, in part, on these, recommendations, the Actuary proposed new assumptions and methods for use in determining Employer Contributions for Fiscal Years beginning on and after July 1, 2018. These assumptions and methods have been adopted by the Board of Trustees during Fiscal Year 2019.

Previously, Gabriel, Roeder, Smith & Company (GRS) published their study in October 2015.

#### ***New York State Legislation (only significant laws since Fiscal Year 2018 included)***

Chapter 266 of the Laws of 2018 extended the Notice of Participation filing deadline to September 11, 2022 for vested members to file a sworn statement indicating participation in the Rescue, Recovery, and Clean-up Operations.

Chapter 589 of the Laws of 2019 amended Retirement and Social Security Law § 212, increased the amount of money a Service or Vested retiree may earn in retirement without diminution of their benefit from \$30,000 to \$35,000.

Chapter 89 of the Laws of 2020 provided a death benefit to statutory beneficiaries of members whose death was a result of or was contributed to by sars-cov-2 (also known as the coronavirus or "COVID-19").

The CARES Act of March 2020 suspended Required Minimum Distributions due in 2020. It also authorized more advantageous loans and distributions to members who certify that COVID-19 adversely affected themselves or their household. These special rules sunset on or before December 31, 2020.

#### ***COVID-19 and Related Legislation***

The outbreak of COVID-19, has been declared a pandemic by the World Health Organization. On March 7, 2020 Governor Cuomo enacted Executive Order 202 declaring a state of emergency for the entire State of New York. Through a series of further executive orders, the Governor temporality suspended and modified laws as it related to the disaster emergency. Specifically, Executive Order 202.1, enacted on March 27, 2020, and its subsequent extensions, suspended New York State Retirement and Social Security Law § 212 earnings limitations, portions of the Open Meetings Law, allow the Board of Trustees to conduct business virtually, allowed for electronic notarization of documents, and tolled the filing deadlines and statutes of limitations for all civil actions, which includes litigation with which the funds are involved. The Executive Orders expired on June 29, 2021.

## New York City Police Pension Funds

### NOTES TO COMBINING FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

After the expiration of the Executive Orders, on September 2, 2021, the Governor signed Chapter 417 of the Laws of 2021, which suspends the in-person meeting requirement of the Open Meetings Law (Public Officers Law Article 7, secs. 100 et seq., "OML") through January 15, 2022. This suspension is essentially the same as that contained in Governor Cuomo's Emergency Order 202.1. Through January 15, 2022, City boards and commissions may meet by remote means, such as telephone conference call or audiovisual platform, and may limit members of the public to attending such meetings by remote means. Note that all other requirements of the OML, including advance notice of meetings, the preparation of minutes and the procedure for holding an executive session, still apply. Such remote meetings and meeting attendance are optional, and that in person meetings may still be held at the discretion of the board or commission. Information about how to access a meeting by remote means, if it applies, must be included in the meeting notice.

Additionally, in May 30, 2020, the Governor signed into law Chapter 89 of the Laws of 2020, which created "a coronavirus disease 2019 (COVID-19) benefit for public employee death benefits[.]" This law enumerates the conditions under which a "member's statutory beneficiary shall receive an accidental death benefit, unless such statutory beneficiary elects to receive an ordinary death benefit." In other words, the beneficiary is entitled to an accidental death benefit if those conditions are met.

As a result of the Executive Orders, and subsequent Mayoral Orders, the Funds has been permitted to have employees work remotely from home. All employees returned to the office full time September 15, 2021.

Lastly, the Federal CARES Act, increased the amount subject to taxation for loans and certain distributions from \$50,000 to \$100,000, as well as allowed for loan repayments to be tolled for a period of time if certain conditions were met. The Plan processed a small number of CARES Act loans during the statutory time frame.

#### ***Litigation***

There were two cases brought by Police Benevolent Association ("PBA") president, Patrick Lynch as it relates to service credit purchases.

In the first, the PBA sought judicial review of the Plan's interpretation of the RSSL and Administrative Code as limiting the availability of service credit for child care leave solely to members in Tier 2. Ultimately, the case was decided by the New York State Court of Appeals, who ruled in favor of the PBA holding that Tier 3 members are entitled to childcare leave under Ad. Code 13 218(h). The Funds are now in compliance with that decision.

In the second case, the PBA challenges the fact that Tier 3 officers do not have the same service credit purchase and transfer rights as Tier 2 officers, alleging that the Funds' interpretation of the statutory provisions is in error. This case is still pending.

## New York City Police Pension Funds

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**

**June 30, 2021**  
**(In thousands)**

	<u>QPP*</u>	<u>POVSF</u>	<u>PSOVSF</u>	<u>TOTAL</u>
Total pension liability:				
Service cost	\$ 1,367,875	\$ 34,049	\$ 71,892	\$ 1,473,816
Interest	3,573,966	140,053	266,091	3,980,110
Differences between expected and actual experience	207,282	41,669	26,999	275,950
Changes of assumptions	156,581	(7,124)	(12,698)	136,759
Benefit payments and withdrawals	<u>(3,313,298)</u>	<u>(179,870)</u>	<u>(338,471)</u>	<u>(3,831,639)</u>
Net change in total pension liability	1,992,406	28,777	13,813	2,034,996
Total pension liability - beginning	<u>51,317,492</u>	<u>2,055,136</u>	<u>3,895,801</u>	<u>57,268,429</u>
Total pension liability - ending (a)	<u>53,309,898</u>	<u>2,083,913</u>	<u>3,909,614</u>	<u>59,303,425</u>
Plan fiduciary net position:				
Employer contributions	2,437,728	-	-	2,437,728
Member contributions	255,789	-	-	255,789
Net investment income	10,747,961	447,619	766,123	11,961,703
Benefit payments and withdrawals	(3,313,298)	(179,870)	(338,471)	(3,831,639)
Administrative expenses	(24,925)	-	-	(24,925)
Other	<u>4,389</u>	<u>37</u>	<u>32</u>	<u>4,458</u>
Net change in plan fiduciary net position	10,107,644	267,786	427,684	10,803,114
Accrued Transfers from POLICE to POVSF and PSOVSF	(106,720)	103,236	3,484	-
Plan fiduciary net position - beginning	<u>41,293,014</u>	<u>1,952,107</u>	<u>3,217,735</u>	<u>46,462,856</u>
Plan fiduciary net position - ending (b) **	<u>51,293,938</u>	<u>2,323,129</u>	<u>3,648,903</u>	<u>57,265,970</u>
Employer's net pension liability - ending (a)-(b)	<u>\$ 2,015,960</u>	<u>\$ (239,216)</u>	<u>\$ 260,711</u>	<u>\$ 2,037,455</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>96.22%</u>	<u>111.48%</u>	<u>93.33%</u>	<u>96.56%</u>
Covered payroll	\$ 4,299,649	n/a	n/a	\$ 4,299,649
Employer's net pension liability as a percentage of covered payroll	<u>46.89%</u>	<u>n/a</u>	<u>n/a</u>	<u>47.39%</u>

**Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.**

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

## New York City Police Pension Funds

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**

**June 30, 2020**  
**(In thousands)**

	<u>QPP*</u>	<u>POVSF</u>	<u>PSOVSF</u>	<u>TOTAL</u>
Total pension liability:				
Service cost	\$ 1,375,436	\$ 34,291	\$ 73,382	\$ 1,483,109
Interest	3,427,980	139,164	266,493	3,833,637
Differences between expected and actual experience	463,894	11,750	(33,990)	441,654
Benefit payments and withdrawals	<u>(3,039,785)</u>	<u>(164,908)</u>	<u>(282,709)</u>	<u>(3,487,402)</u>
Net change in total pension liability	2,227,525	20,297	23,176	2,270,998
Total pension liability - beginning	<u>49,089,967</u>	<u>2,034,839</u>	<u>3,872,625</u>	<u>54,997,431</u>
Total pension liability - ending (a)	<u>51,317,492</u>	<u>2,055,136</u>	<u>3,895,801</u>	<u>57,268,429</u>
Plan fiduciary net position:				
Employer contributions	2,458,907	-	-	2,458,907
Member contributions	280,129	-	-	280,129
Net investment income	1,896,012	(4,221)	146,514	2,038,305
Benefit payments and withdrawals	(3,039,785)	(164,908)	(282,709)	(3,487,402)
Administrative expenses	(26,803)	-	-	(26,803)
Other	<u>6,488</u>	<u>29</u>	<u>24</u>	<u>6,541</u>
Net change in plan fiduciary net position	1,574,948	(169,100)	(136,171)	1,269,677
Accrued Transfers from POLICE to POVSF and PSOVSF	(401,358)	144,808	256,550	-
Plan fiduciary net position - beginning	<u>40,119,424</u>	<u>1,976,399</u>	<u>3,097,356</u>	<u>45,193,179</u>
Plan fiduciary net position - ending (b) **	<u>41,293,014</u>	<u>1,952,107</u>	<u>3,217,735</u>	<u>46,462,856</u>
Employer's net pension liability - ending (a)-(b)	<u>\$ 10,024,478</u>	<u>\$ 103,029</u>	<u>\$ 678,066</u>	<u>\$ 10,805,573</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>80.47%</u>	<u>94.99%</u>	<u>82.59%</u>	<u>81.13%</u>
Covered payroll	\$ 4,244,806	n/a	n/a	\$ 4,244,806
Employer's net pension liability as a percentage of covered payroll	<u>236.16%</u>	<u>n/a</u>	<u>n/a</u>	<u>254.56%</u>

**Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.**

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

## New York City Police Pension Funds

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**

**June 30, 2019**  
**(In thousands)**

	<u>QPP*</u>	<u>POVSF</u>	<u>PSOVSF</u>	<u>TOTAL</u>
Total pension liability:				
Service cost	\$ 1,396,466	\$ 41,454	\$ 60,989	\$ 1,498,910
Interest	3,386,097	138,805	258,094	3,782,997
Differences between expected and actual experience	(868,164)	133,399	(84,203)	(818,967)
Changes of assumptions	(349,830)	(136,776)	144,204	(342,402)
Benefit payments and withdrawals	<u>(2,853,799)</u>	<u>(164,281)</u>	<u>(260,665)</u>	<u>(3,278,745)</u>
Net change in total pension liability	710,771	12,602	118,420	841,793
Total pension liability - beginning	<u>48,379,196</u>	<u>2,022,237</u>	<u>3,754,205</u>	<u>54,155,638</u>
Total pension liability - ending (a)	<u>49,089,967</u>	<u>2,034,839</u>	<u>3,872,625</u>	<u>54,997,431</u>
Plan fiduciary net position:				
Employer contributions	2,558,256	-	-	2,558,256
Member contributions	278,087	-	-	278,087
Net investment income	2,581,702	103,694	176,148	2,861,544
Benefit payments and withdrawals	(2,853,799)	(164,281)	(260,665)	(3,278,745)
Administrative expenses	(29,005)	-	-	(29,005)
Other	<u>4,108</u>	<u>40</u>	<u>35</u>	<u>4,183</u>
Net change in plan fiduciary net position	2,539,349	(60,547)	(84,482)	2,394,320
Accrued Transfers from POLICE to POVSF and PSOVSF	(378,792)	(31,836)	410,628	-
Plan fiduciary net position - beginning	<u>37,958,867</u>	<u>2,068,782</u>	<u>2,771,210</u>	<u>42,798,859</u>
Plan fiduciary net position - ending (b) **	<u>40,119,424</u>	<u>1,976,399</u>	<u>3,097,356</u>	<u>45,193,179</u>
Employer's net pension liability - ending (a)-(b)	<u>\$ 8,970,543</u>	<u>\$ 58,440</u>	<u>\$ 775,269</u>	<u>\$ 9,804,252</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.73%</u>	<u>97.13%</u>	<u>79.98%</u>	<u>82.17%</u>
Covered payroll	\$ 4,047,772	n/a	n/a	\$ 4,047,772
Employer's net pension liability as a percentage of covered payroll	<u>221.62%</u>	<u>n/a</u>	<u>n/a</u>	<u>242.21%</u>

**Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.**

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2018  
(In thousands)

	QPP*	POVSF	PSOVSF	TOTAL
Total pension liability:				
Service cost	\$ 1,281,545	\$ 57,875	\$ 46,859	\$ 1,386,279
Interest	3,257,275	137,689	254,151	3,649,115
Changes of benefit terms	90,363	10,231	4,077	104,671
Differences between expected and actual experience	(138,508)	(45,327)	39,715	(144,120)
Benefit payments and withdrawals	(2,774,387)	(162,149)	(257,017)	(3,193,553)
Net change in total pension liability	1,716,288	(1,681)	87,785	1,802,392
Total pension liability - beginning	46,662,909	2,023,917	3,666,420	52,353,246
Total pension liability - ending (a)	48,379,197	2,022,236	3,754,205	54,155,638
Plan fiduciary net position:				
Employer contributions	2,415,153	-	-	2,415,153
Member contributions	267,031	-	-	267,031
Net investment income	3,925,283	294	38,433	3,964,010
Benefit payments and withdrawals	(2,774,387)	(162,149)	(257,017)	(3,193,553)
Administrative expenses	(21,146)	-	-	(21,146)
Other	3,408	31	26	3,465
Net change in plan fiduciary net position	3,815,342	(161,824)	(218,558)	3,434,960
Accrued Transfers from POLICE to POVSF and PSOVSF	(1,280,000)	130,000	1,150,000	-
Plan fiduciary net position - beginning	35,423,525	2,100,606	1,839,768	39,363,899
Plan fiduciary net position - ending (b) **	37,958,867	2,068,782	2,771,210	42,798,859
Employer's net pension liability - ending (a)-(b)	\$ 10,420,330	\$ (46,546)	\$ 982,995	\$ 11,356,779
Plan fiduciary net position as a percentage of the total pension liability	78.46%	102.30%	73.82%	79.03%
Covered payroll	\$ 3,673,054	n/a	n/a	\$ 3,673,054
Employer's net pension liability as a percentage of covered payroll	283.70%	n/a	n/a	309.19%

Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.



## New York City Police Pension Funds

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**

**June 30, 2017**  
**(In thousands)**

	<u>QPP*</u>	<u>POVSF</u>	<u>PSOVSF</u>	<u>TOTAL</u>
Total pension liability:				
Service cost	\$ 1,221,506	\$ 52,848	\$ 46,062	\$ 1,320,416
Interest	3,138,263	137,697	248,372	3,524,332
Differences between expected and actual experience	(632,751)	(16,264)	3,767	(645,248)
Benefit payments and withdrawals	<u>(2,571,999)</u>	<u>(159,063)</u>	<u>(255,938)</u>	<u>(2,987,000)</u>
Net change in total pension liability	1,155,019	15,218	42,263	1,212,500
Total pension liability - beginning	<u>45,507,890</u>	<u>2,008,699</u>	<u>3,624,157</u>	<u>51,140,746</u>
Total pension liability - ending (a)	<u>46,662,909</u>	<u>2,023,917</u>	<u>3,666,420</u>	<u>52,353,246</u>
Plan fiduciary net position:				
Employer contributions	2,293,840	-	-	2,293,840
Member contributions	276,301	-	-	276,301
Net investment income	4,079,747	166,755	40,392	4,286,894
Benefit payments and withdrawals	(2,571,999)	(159,063)	(255,938)	(2,987,000)
Administrative expenses	(18,917)	-	-	(18,917)
Other	<u>10,381</u>	<u>74</u>	<u>52</u>	<u>10,507</u>
Net change in plan fiduciary net position	4,069,353	7,766	(215,494)	3,861,625
Accrued Transfers from POLICE to POVSF and PSOVSF	(2,128,438)	708,636	1,419,802	-
Plan fiduciary net position - beginning	<u>33,482,610</u>	<u>1,384,204</u>	<u>635,460</u>	<u>35,502,274</u>
Plan fiduciary net position - ending (b) **	<u>35,423,525</u>	<u>2,100,606</u>	<u>1,839,768</u>	<u>39,363,899</u>
Employer's net pension liability - ending (a)-(b)	<u>\$ 11,239,384</u>	<u>\$ (76,689)</u>	<u>\$ 1,826,652</u>	<u>\$ 12,989,347</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.91%</u>	<u>103.79%</u>	<u>50.18%</u>	<u>75.19%</u>
Covered payroll	\$ 3,509,985	n/a	n/a	\$ 3,509,985
Employer's net pension liability as a percentage of covered payroll	<u>320.21%</u>	<u>n/a</u>	<u>n/a</u>	<u>370.07%</u>

**Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.**

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2016  
(In thousands)

	QPP*	POVSF	PSOVSF	TOTAL
Total pension liability:				
Service cost	\$ 1,241,707	\$ 53,625	\$ 45,283	\$ 1,340,615
Interest	3,059,499	136,591	245,309	3,441,399
Differences between expected and actual experience	216,334	13,273	3,854	233,461
Changes of assumptions	709,886	32,650	52,144	794,680
Benefit payments and withdrawals	(2,475,738)	(155,754)	(246,959)	(2,878,451)
Net change in total pension liability	2,751,688	80,385	99,631	2,931,704
Total pension liability - beginning	42,756,202	1,928,314	3,524,526	48,209,042
Total pension liability - ending (a)	45,507,890	2,008,699	3,624,157	51,140,746
Plan fiduciary net position:				
Employer contributions	2,393,940	-	-	2,393,940
Member contributions	249,921	-	-	249,921
Net investment income	644,318	(133,017)	(107,767)	403,534
Benefit payments and withdrawals	(2,475,738)	(155,754)	(246,959)	(2,878,451)
Administrative expenses	(18,478)	-	-	(18,478)
Other	6,479	147	130	6,756
Net change in plan fiduciary net position	800,442	(288,624)	(354,596)	157,222
Accrued Transfers from POLICE to POVSF and PSOVSF	326,195	(250,751)	(75,444)	-
Plan fiduciary net position - beginning	32,355,973	1,923,579	1,065,500	35,345,052
Plan fiduciary net position - ending (b) **	33,482,610	1,384,204	635,460	35,502,274
Employer's net pension liability - ending (a)-(b)	\$ 12,025,280	\$ 624,495	\$ 2,988,697	\$ 15,638,472
Plan fiduciary net position as a percentage of the total pension liability	73.58%	68.91%	17.53%	69.42%
Covered payroll	\$ 3,540,326	n/a	n/a	\$ 3,540,326
Employer's net pension liability as a percentage of covered payroll	339.67%	n/a	n/a	441.72%

Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2015  
(In thousands)

	QPP*	POVSF	PSOVSF	TOTAL
Total pension liability:				
Service cost	\$ 1,227,570	\$ 54,502	\$ 43,736	\$ 1,325,808
Interest	2,875,649	131,185	238,391	3,245,225
Differences between expected and actual experience	(213,409)	(13,154)	11,145	(215,418)
Benefit payments and withdrawals	(2,360,484)	(151,333)	(234,967)	(2,746,784)
Net change in total pension liability	1,529,326	21,200	58,305	1,608,831
Total pension liability - beginning	41,226,876	1,907,114	3,466,221	46,600,211
Total pension liability - ending (a)	42,756,202	1,928,314	3,524,526	48,209,042
Plan fiduciary net position:				
Employer contributions	2,309,619	-	-	2,309,619
Member contributions	241,102	-	-	241,102
Net investment income	1,018,506	61,019	18,695	1,098,220
Benefit payments and withdrawals	(2,360,484)	(151,333)	(234,967)	(2,746,784)
Administrative expenses	(17,903)	-	-	(17,903)
Reimbursement of benefit payments to PSOVSF from QPP	(313)	-	313	-
Other	4,554	25	37	4,616
Net change in plan fiduciary net position	1,195,081	(90,289)	(215,922)	888,870
Accrued Transfers from POLICE to POVSF and PSOVSF	(590,000)	330,000	260,000	-
Plan fiduciary net position - beginning	31,750,892	1,683,868	1,021,422	34,456,182
Plan fiduciary net position - ending (b) **	32,355,973	1,923,579	1,065,500	35,345,052
Employer's net pension liability - ending (a)-(b)	\$ 10,400,229	\$ 4,735	\$ 2,459,026	\$ 12,863,990
Plan fiduciary net position as a percentage of the total pension liability	75.68%	99.75%	30.23%	73.32%
Covered payroll	\$ 3,512,778	n/a	n/a	\$ 3,512,778
Employer's net pension liability as a percentage of covered payroll	296.07%	n/a	n/a	366.21%

Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* The beginning total pension liability does not agree to the prior year ending total pension liability because amounts were revised to include costs and liabilities associated with the Special Accidental Death Benefits payable under Section 208-F of the General Municipal Law.

\*\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

See Report of Independent Certified Public Accountants.

New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2014  
(In thousands)

	QPP*	POVSF	PSOVSF	TOTAL
Total pension liability:				
Service cost	\$ 1,206,036	\$ 52,629	\$ 43,088	\$ 1,301,753
Interest	2,753,264	129,659	234,394	3,117,317
Benefit payments and withdrawals	(2,305,609)	(147,153)	(229,461)	(2,682,223)
Net change in total pension liability	1,653,691	35,135	48,021	1,736,847
Total pension liability - beginning	39,259,678	1,871,979	3,418,199	44,549,856
Total pension liability - ending (a)	40,913,369	1,907,114	3,466,220	46,286,703
Plan fiduciary net position:				
Employer contributions	2,320,910	-	-	2,320,910
Member contributions	228,783	-	-	228,783
Net investment income	5,071,530	76,054	(101)	5,147,483
Benefit payments and withdrawals	(2,305,609)	(147,153)	(229,461)	(2,682,223)
Administrative expenses	(17,450)	-	-	(17,450)
Reimbursement of benefit payments to PSOVSF from QPP	(231,024)	-	231,024	-
Other	6,811	80	20	6,911
Net change in plan fiduciary net position	5,073,951	(71,019)	1,482	5,004,414
Accrued Transfers from POLICE to POVSF and PSOVSF	(2,310,000)	1,290,000	1,020,000	-
Plan fiduciary net position - beginning	28,986,941	464,887	(60)	29,451,768
Plan fiduciary net position - ending (b) **	31,750,892	1,683,868	1,021,422	34,456,182
Employer's net pension liability - ending (a)-(b)	\$ 9,162,477	\$ 223,246	\$ 2,444,798	\$ 11,830,521
Plan fiduciary net position as a percentage of the total pension liability	77.61%	88.29%	29.47%	74.44%
Covered payroll	\$ 3,420,312	n/a	n/a	\$ 3,420,312
Employer's net pension liability as a percentage of covered payroll	267.88%	n/a	n/a	345.89%

Additionally, in accordance with GASB No. 67, paragraph 50, such information was not readily available for periods prior to 2014.

\*Such amounts represent the preliminary Funds' fiduciary net position and may differ from the final Funds' fiduciary net position.

\*\* Includes liabilities from Special Accidental death benefits pursuant to Section 208-F of the General Municipal Law.

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New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Fiscal years ended June 30,  
(In thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,437,728	\$ 2,458,907	\$ 2,558,256	\$ 2,415,153	\$ 2,293,840	\$ 2,393,940	\$ 2,309,619	\$ 2,320,910	\$ 2,424,690	\$ 2,385,731
Contributions in relation to the actuarially determined contribution	2,437,728	2,458,907	2,558,256	2,415,153	2,293,840	2,393,940	2,309,619	2,320,910	2,424,690	2,385,731
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,299,649	\$ 4,244,806	\$ 4,047,772	\$ 3,673,054	\$ 3,509,985	\$ 3,540,326	\$ 3,512,778	\$ 3,420,312	\$ 3,459,872	\$ 3,448,765
Contributions as a percentage of covered payroll*	56.696%	57.927%	63.202%	65.753%	65.352%	67.619%	65.749%	67.857%	70.080%	69.176%

\* Projected employee payroll at time 1.0 under previous roll-forward methodology through 2018. Actual employee payroll at valuation date (time = 0) beginning in 2021.

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New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Note to Schedule:

The above actuarially determined contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g., fiscal year 2021 contributions were determined using an actuarial valuation as of June 30, 2019). The methods and assumptions used to determine the actuarially determined contributions are as follows:

Valuation Dates	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method for unfunded actuarial accrued liabilities:					
Initial unfunded	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar
Post-2010 unfundeds	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period:					
Initial unfunded	13 years (closed)	14 years (closed)	15 years (closed)	16 years (closed)	17 years (closed)
2011 Actuarial gain/loss	7 years (closed)	8 years (closed)	9 years (closed)	10 years (closed)	11 years (closed)
2012 Actuarial gain/loss	8 years (closed)	9 years (closed)	10 years (closed)	11 years (closed)	12 years (closed)
2013 Actuarial gain/loss	9 years (closed)	10 years (closed)	11 years (closed)	12 years (closed)	13 years (closed)
2014 Actuarial gain/loss	10 years (closed)	11 years (closed)	12 years (closed)	13 years (closed)	14 years (closed)
2014 Assumption change	15 years (closed)	16 years (closed)	17 years (closed)	18 years (closed)	19 years (closed)
2015 Actuarial gain/loss	11 years (closed)	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)
2016 Actuarial gain/loss	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)	NA
2016 SADB	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)	NA
2016 Enhanced ADR	15 years (closed)	16 years (closed)	17 years (closed)	18 years (closed)	NA
2017 Actuarial gain/loss	13 years (closed)	14 years (closed)	15 years (closed)	NA	NA
2017 VSF Escalation offset	16 years (closed)	17 years (closed)	18 years (closed)	NA	NA
2017 Non-uniformed service	18 years (closed)	19 years (closed)	20 years (closed)	NA	NA
2017 Assumptions/methods	18 years (closed)	19 years (closed)	20 years (closed)	NA	NA
2018 Actuarial gain/loss	14 years (closed)	15 years (closed)	NA	NA	NA
2019 Actuarial gain/loss	15 years (closed)	NA	NA	NA	NA
2019 Assumptions/methods	20 years (closed)	NA	NA	NA	NA
Actuarial asset valuation method <sup>1</sup>	Five-year moving average of market values with a "Market Value Restart" as of June 30, 2019.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.

<sup>1</sup> As of June 30, 2014 (Lag) valuation, the AVA is constrained to be no more than 20% of Market Value.

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New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Note to Schedule:

The above actuarially determined contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g., fiscal year 2021 contributions were determined using an actuarial valuation as of June 30, 2019). The methods and assumptions used to determine the actuarially determined contributions are as follows:

Valuation Dates	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method for unfunded actuarial accrued liabilities:					
Initial unfunded	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar
Post-2010 unfunded	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period:					
Initial unfunded	18 years (closed)	19 years (closed)	20 years (closed)	21 years (closed)	22 years (closed)
2011 Actuarial gain/loss	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)	NA
2012 Actuarial gain/loss	13 years (closed)	14 years (closed)	15 years (closed)	NA	NA
2013 Actuarial gain/loss	14 years (closed)	15 years (closed)	NA	NA	NA
2014 Actuarial gain/loss	15 years (closed)	NA	NA	NA	NA
2014 Assumption change	20 years (closed)	NA	NA	NA	NA
2015 Actuarial gain/loss	NA	NA	NA	NA	NA
2016 Actuarial gain/loss	NA	NA	NA	NA	NA
2016 SADB	NA	NA	NA	NA	NA
2016 Enhanced ADR	NA	NA	NA	NA	NA
2017 Actuarial gain/loss	NA	NA	NA	NA	NA
2017 VSF Escalation offset	NA	NA	NA	NA	NA
2017 Non-uniformed service	NA	NA	NA	NA	NA
2017 Assumptions/methods	NA	NA	NA	NA	NA
2018 Actuarial gain/loss	NA	NA	NA	NA	NA
2019 Actuarial gain/loss	NA	NA	NA	NA	NA
2019 Assumptions/methods	NA	NA	NA	NA	NA
Actuarial asset valuation method <sup>1</sup>	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AVA is defined to recognize Fiscal Year 2011 investment performance.

<sup>1</sup> As of June 30, 2014 (Lag) valuation, the AVA is constrained to be no more than 20% of Market Value.

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New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Valuation Dates	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial assumptions:					
Assumed rate of return <sup>2</sup>	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.
Post-retirement mortality <sup>3</sup>	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2016
Active service: withdrawal, death, disability, service retirement <sup>3</sup>	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Salary increases <sup>2</sup>	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.

<sup>2</sup> Developed using a long-term Consumer Price Inflation assumption of 2.5% per year.

<sup>3</sup> As of June 30, 2019, applies mortality improvement scale MP-2020 published by the Society of Actuaries to post-retirement mortality, active ordinary death mortality rates, and pre-commencement mortality rates for terminated vesteds. Prior to June 30, 2019, MP-2018 was applied to post-retirement mortality. Prior to June 30, 2017, MP-2015 was applied to post-retirement mortality. Prior to June 30, 2014, Scale AA was applied to post-retirement mortality.

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New York City Police Pension Funds

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Valuation Dates	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Actuarial assumptions:					
Assumed rate of return <sup>2</sup>	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.	7.0% per annum, net of investment expenses.
Post-retirement mortality <sup>3</sup>	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Active service: withdrawal, death, disability, service retirement <sup>3</sup>	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Salary increases <sup>2</sup>	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.	In general, merit and promotion increases plus assumed General Wage Increases of 3.0% per year.

<sup>2</sup> Developed using a long-term Consumer Price Inflation assumption of 2.5% per year.

<sup>3</sup> As of June 30, 2019, applies mortality improvement scale MP-2020 published by the Society of Actuaries to post-retirement mortality, active ordinary death mortality rates, and pre-commencement mortality rates for terminated vesteds. Prior to June 30, 2019, MP-2018 was applied to post-retirement mortality. Prior to June 30, 2017, MP-2015 was applied to post-retirement mortality. Prior to June 30, 2014, Scale AA was applied to post-retirement mortality.

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## New York City Police Pension Funds

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF INVESTMENT RETURNS**

The following table displays annual money-weighted rate of return, net of investment expense, for each of the Funds for each of the past eight fiscal years:

<u>Fiscal years ended</u>	<u>QPP</u>	<u>PSOVSF</u>	<u>POVSF</u>
June 30, 2021	26.37%	25.95%	25.40%
June 30, 2020	4.74%	4.07%	4.33%
June 30, 2019	6.81%	9.27%	5.77%
June 30, 2018	9.60%	4.42%	6.71%
June 30, 2017	13.19%	12.85%	13.80%
June 30, 2016	1.18%	-1.06%	-0.33%
June 30, 2015	3.83%	5.16%	6.34%
June 30, 2014	17.69%	16.16%	19.44%

Note: In accordance with paragraph 50 of GASB Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"), this schedule should present information for 10 years, if available. The information presented here pertains to periods beginning with the June 30, 2014 fiscal year, the Plan's adoption year of GASB 67. Additional years will be added until the 10-year requirement is met.

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