

STATEMENT OF NET ASSETS AVAILABLE FOR PENSION BENEFITS

ASSETS	2001	2000
Cash	\$2,819,153	\$3,985,023
Investments, at market value	2,704,046,265	2,979,070,129
Accrued Investment Income	13,584,240	14,997,714
Contributions Receivable	4,323,523	6,606,627
Receivables from Investment Sales	199,933,603	185,973,204
Other Accounts Receivable	422,874	186,414
TOTAL ASSETS	\$2,925,129,658	\$3,190,819,111
LIABILITIES		
Payables for Investment Purchases	200,208,104	194,591,475
Claims Payable to Retirants and Beneficiaries	2,332,160	2,967,497
Accrued Pension Benefits	0	12,191,550
Due to Other Funds	1,515,915	1,691,915
Other Liabilities	30,067,397	31,585,598
TOTAL LIABILITIES	\$234,123,576	\$243,028,035
FUND BALANCES		
Annuity Reserves:		
Annuity Savings Fund	720,801,263	725,956,046
Annuity Reserve Fund	24,085,096	25,576,021
Pension Reserves:		
Pension Accumulation Fund	942,566,848	912,057,915
Pension Reserve Fund	1,224,693,181	1,238,843,081
Market Stabilization Fund	(221,140,306)	45,358,013
TOTAL FUND BALANCES	\$2,691,006,082	\$2,947,791,076
TOTAL LIABILITIES & FUND BALANCES	\$2,925,129,658	\$3,190,819,111

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

	<u>ANNUITY RESERVES</u>			<u>PENSION RESERVES</u>		TOTAL	
	ANNUITY SAVINGS FUND	ANNUITY RESERVE FUND	MARKET STABILIZATION FUND	PENSION ACCUMULATION FUND	PENSION RESERVE FUND	2001	2000
Revenues:							
City Contributions	\$0	\$0	\$0	\$68,139,535	\$0	\$68,139,535	\$66,681,049
Members' Contributions	25,432,043	0	0	46,618	0	25,478,661	24,330,905
Investment Income-Net	52,287,361	2,082,622	(266,498,319)	(8,928,591)	92,978,395	(128,078,532)	258,753,610
TOTAL REVENUES	77,719,404	2,082,622	(266,498,319)	59,257,562	92,978,395	(34,460,336)	349,765,564
Expenses:							
Pension & Annuity Benefits	0	3,195,253	0	0	132,808,650	136,003,903	147,069,795
General & Administrative Expenses	0	0	0	3,149,697	0	3,149,697	3,700,685
Refunds	82,154,215	0	0	1,016,843	0	83,171,058	97,066,834
TOTAL EXPENSES	82,154,215	3,195,253	0	4,166,540	132,808,650	222,324,658	247,837,314
Excess (Deficiency) of Revenue Over (Under) Expenses							
Transfers-Net	(719,972)	(378,294)	0	(24,582,089)	25,680,355	0	0
Fund Balances at Beginning of Year	725,956,046	25,576,021	45,358,013	912,057,915	1,238,843,081	2,947,791,076	2,845,862,826
FUND BALANCES AT END OF YEAR	\$720,801,263	\$24,085,096	\$(221,140,306)	\$942,566,848	\$1,224,693,181	\$2,691,006,082	\$2,947,791,076

2000-2001 FISCAL YEAR INVESTMENT ACTIVITY

The General Retirement System is a relatively mature plan in that the number of active employees and retirees receiving benefits is approximately equal. The total benefits paid during the year were \$136,003,904. The investments of the System are the primary source of the funds used to pay these benefits. Accordingly, the investment activity and asset allocation must balance the desire for long-term appreciation with relatively large requirements for cash to pay benefits every month.

The Board of Trustees has adopted the following goals and objectives which are designed to meet the 7.9% actuarial assumed rate of return for the fund:

- An 8.25% total return, net of investment management fees, coupled with a 3.9% real (inflation adjusted) return objective.

- Total fund to consistently rank in the top half of total public fund universe and to meet or exceed policy index.
- Investment managers to consistently rank in the top half of appropriate public fund universe and to meet or exceed appropriate index.
- Above average risk-adjusted returns, when compared to comparable funds.
- Risk exposure of total fund to be centered in the mid-range of comparable total public funds.
- Results generally measured over a full market cycle, approximately 3–5 years.

The 2000–2001 fiscal year marks the first full year of the implementation of the Board’s strategic policy decision to shift the asset allocation of the System to include a greater proportion of equities (stocks) and a lesser proportion of fixed income investments (bonds).

The System’s targeted asset allocation consists of 60% equities, 31% fixed income including cash and short-term investments used to pay benefits, with the remaining 9% allocated to real estate and alternative investments.

The Board expanded the scope and diversification of its real estate assets. Ownership of real estate has historically provided both current income to pay pension benefits plus long-term appreciation. The Board has invested in three opportunistic equity real estate comingled funds, two core equity real estate comingled funds, and one comingled fund which specializes in mortgages. These investments will complement and enhance the System’s separately managed real estate and mortgage investments.

The Board continued the diversification of its alternative investment allocation by the funding of direct and limited partnerships investments that specialize in venture capital, leveraged buyouts, mezzanine debt and private equity. These investments are expected to outperform the stock market over the intermediate to long term. Initial returns achieved from these investments have been very favorable.