

STATEMENT OF NET ASSETS AVAILABLE FOR PENSION BENEFITS

ASSETS	2000	1999
Cash	\$3,985,023	\$4,835,682
Investments, at market value	2,979,070,129	2,900,953,132
Accrued Investment Income	14,997,714	15,265,602
Contributions Receivable	6,606,627	5,460,149
Receivables from Investment Sales	185,973,204	368,408,946
Other Accounts Receivable	186,414	140,937
TOTAL ASSETS	\$3,190,819,111	\$3,295,064,448
LIABILITIES		
Payables for Investment Purchases	194,591,475	395,400,815
Claims Payable to Retirants and Beneficiaries	2,967,497	2,950,569
Accrued Pension Benefits	12,191,550	16,864,950
Due to Other Funds	1,691,915	1,621,842
Other Liabilities	31,585,598	32,363,446
TOTAL LIABILITIES	\$243,028,035	\$449,201,622
FUND BALANCES		
Annuity Reserves:		
Annuity Savings Fund	725,956,046	705,800,097
Annuity Reserve Fund	25,576,021	25,944,913
Pension Reserves:		
Pension Accumulation Fund	912,057,915	882,159,910
Pension Reserve Fund	1,238,843,081	1,142,709,538
Market Stabilization Fund	45,358,013	89,248,368
TOTAL FUND BALANCES	\$2,947,791,076	\$2,845,862,826
TOTAL LIABILITIES & FUND BALANCES	\$3,190,819,111	\$3,295,064,448

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	2000	1999
Revenues:							
City Contributions	\$0	\$0	\$0	\$66,681,049	\$0	\$66,681,049	\$55,683,125
Members' Contributions	24,283,908	0	0	46,997	0	24,330,905	22,198,181
Investment Income-Net	97,772,934	2,270,902	(43,890,355)	105,357,251	97,242,878	258,753,610	247,776,787
TOTAL REVENUES	122,056,842	2,270,902	(43,890,355)	172,085,297	97,242,878	349,765,564	325,658,093
Expenses:							
Pension & Annuity Benefits	0	3,255,248	0	0	143,814,547	147,069,795	145,550,539
General & Administrative Expenses	0	0	0	3,700,685	0	3,700,685	3,515,558
Refunds	95,876,859	0	0	1,189,975	0	97,066,834	60,256,582
TOTAL EXPENSES	95,876,859	3,255,248	0	4,890,660	143,814,547	247,837,314	209,322,679
Excess (Deficiency) of Revenue Over (Under) Expenses							
Transfers-Net	(6,024,034)	615,454	0	(137,296,632)	142,705,212	0	0
Fund Balances at Beginning of Year	705,800,097	25,944,913	89,248,368	882,159,910	1,142,709,538	2,845,862,826	2,729,527,412
FUND BALANCES AT END 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

1999-2000 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 \$147,069,795. 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.

During the 1999–2000 fiscal year, the Board of Trustees completed the implementation of the 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 co-mingled funds, two core equity real estate co-mingled funds, and one co-mingled 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 partnership 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.