

FINANCIAL SECTION

STATEMENT OF NET ASSETS AVAILABLE FOR PENSION BENEFITS

ASSETS	1999	1998
Cash	\$4,835,682	\$16,744,207
Investments, at market value	2,900,953,132	2,768,601,796
Accrued Investment Income	15,265,602	16,356,141
Contributions Receivable	5,460,149	7,432,256
Receivables from Investment Sales	368,408,946	494,192,607
Other Accounts Receivable	140,937	122,205
TOTAL ASSETS	\$3,295,064,448	\$3,303,449,212
LIABILITIES		
Payables for Investment Purchases	395,400,815	510,498,695
Claims Payable to Retirants and Beneficiaries	2,950,569	2,311,418
Accrued Pension Benefits	16,864,950	27,156,910
Due to Other Funds	1,621,842	1,486,934
Other Liabilities	32,363,446	32,467,843
TOTAL LIABILITIES	\$449,201,622	\$573,921,800
FUND BALANCES		
Annuity Reserves:		
Annuity Savings Fund	705,800,097	625,611,007
Annuity Reserve Fund	25,944,913	24,506,555
Pension Reserves:		
Pension Accumulation Fund	882,159,910	794,174,412
Pension Reserve Fund	1,142,709,538	1,137,807,909
Market Stabilization Fund	89,248,368	147,427,529
TOTAL FUND BALANCES	\$2,845,862,826	\$2,729,527,412
TOTAL LIABILITIES & FUND BALANCES	\$3,295,064,448	\$3,303,449,212

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE.

	ANNUITY RESERVES		MARKET VALUE RESERVE	PENSION RESERVES		TOTAL	
	ANNUITY SAVINGS FUND	ANNUITY RESERVE FUND		PENSION ACCUMULATION FUND	PENSION RESERVE FUND	1999	1998
Revenues:							
City Contributions	\$0	\$0	\$0	\$55,683,125	\$0	\$55,683,125	\$52,707,172
Members' Contributions	22,118,558	0	0	79,623	0	22,198,181	20,988,330
Investment Income-Net	120,947,548	2,457,146	(58,179,161)	84,584,373	97,966,881	247,776,787	332,995,357
TOTAL REVENUES	143,066,106	2,457,146	(58,179,161)	140,347,121	97,966,881	325,658,093	406,690,859
Expenses:							
Pension & Annuity Benefits	0	3,454,824	0	0	142,095,715	145,550,539	146,530,255
General & Administrative Expenses	0	0	0	3,515,558	0	3,515,558	3,291,701
Refunds	59,021,625	83,349	0	1,151,608	0	60,256,582	48,965,266
TOTAL EXPENSES	59,021,625	3,538,173	0	4,667,166	142,095,715	209,322,679	198,787,222
Excess (Deficiency) of Revenue Over (under) Expenses	84,044,481	(1,081,027)	(58,179,161)	135,679,955	(44,128,834)	116,335,414	207,903,637
Transfers-Net	(3,855,391)	2,519,385	0	(47,694,457)	49,030,463	0	0
Fund Balances at Beginning of Year	625,611,007	24,506,555	147,427,529	794,174,412	1,137,807,909	2,729,527,412	2,521,623,775
FUND BALANCES AT END 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

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1998-1999 FISCAL YEAR INVESTMENT ACTIVITY

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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 \$145,550,539. 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% 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 1998-1999 fiscal year, the Board of Trustees made the strategic 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). This shift in the asset allocation is expected to be completed during the 1999 - 2000 fiscal year. To implement this shift in asset allocation, the Board terminated three fixed income investment managers and hired two equity investment managers who will manage the assets with the objective of replicating the returns of the S&P 500.

The Board continued the diversification of its alternative investment allocation by the funding of direct and limited partnerships investments that specialize in venture capital, leverage 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.

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 invested in two opportunistic equity real estate co-mingled funds and one co-mingled fund which specializes in mortgages. These investments will complement and enhance the System's core real estate and mortgage investments.

During the 1999 - 2000 fiscal year, the Board plans to complete the transition to the targeted asset allocation. This 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.