City of New York Deferred Compensation Plan Comprehensive Annual Financial Report

2004

For the Fiscal Year Ended December 31, 2004
The Deferred Compensation Plan is a Fiduciary Fund of the City of New York

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City of New York Deferred Compensation Plan

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2004

Prepared by:

Georgette Gestely
Director

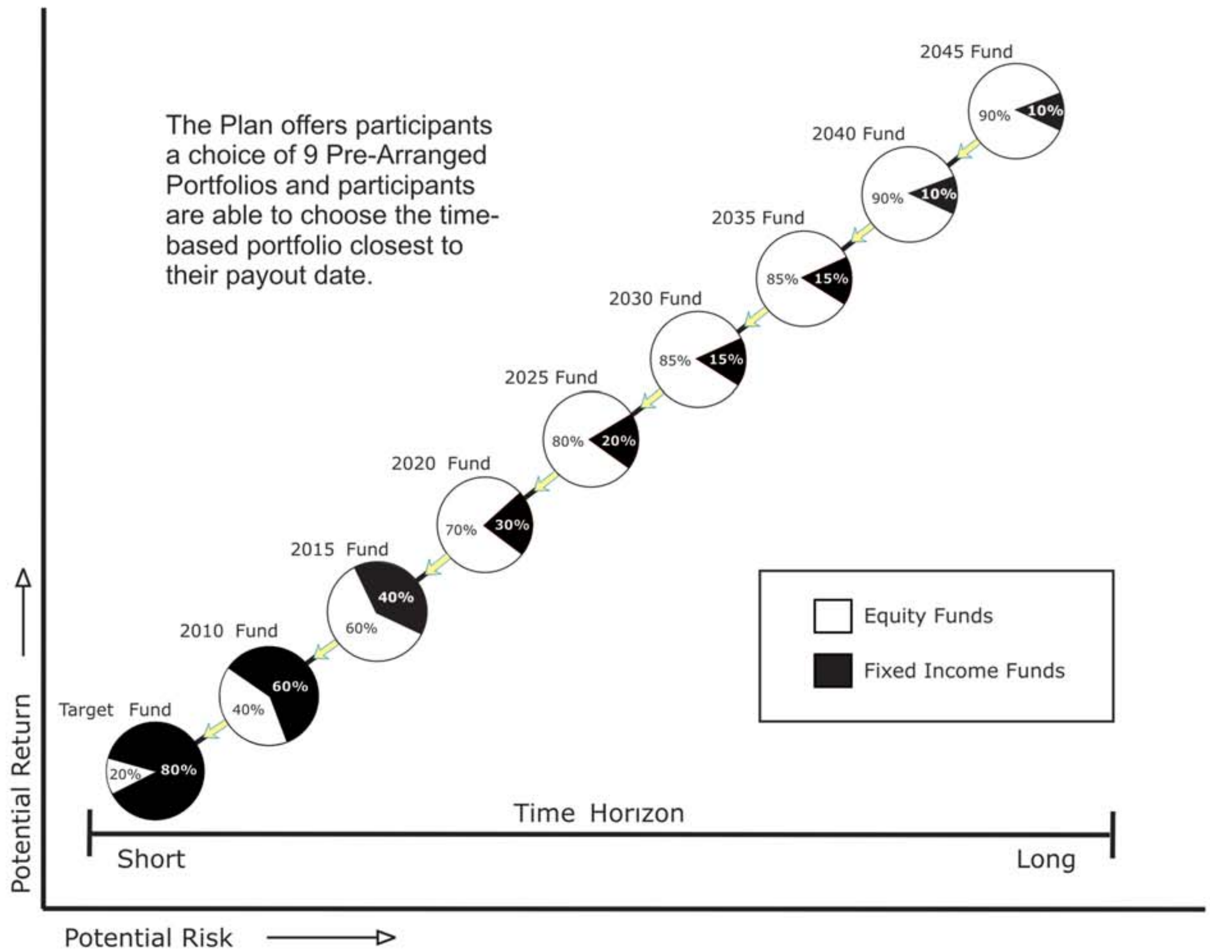
Joan Barrow
Chief Accountant

Sections 457 and 401(k) Plans reported within the City of New York's Comptroller's Comprehensive Annual Financial Report

2005 - The Deferred Compensation Plan's Investment Program Choices

I. 9 Pre-Arranged Portfolios

The Plan offers participants a choice of 9 Pre-Arranged Portfolios and participants are able to choose the time-based portfolio closest to their payout date.



II. Core Options

All Plan assets have been moved from mutual funds to separately managed accounts. Unlike a mutual fund, a separate account is not open to outside investors and is created solely for the benefit of Plan participants. These separate accounts only contain Deferred Compensation Plan assets and all participants trade according to the same rules.

Rather than utilize a single investment manager for some options, the Plan has created core investment options with multiple managers to diversify Plan risk. This structure provides flexibility to change managers quickly, if necessary, without suspending participant trading.

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Deferred Compensation Board

Michael R. Bloomberg
Mayor of the City of New York

William C. Thompson, Jr.
Comptroller of the City of New York

James F. Hanley, Chairman
Commissioner, Office of Labor Relations

Michael Cardozo
Corporation Counsel

Mark Page
Director, Office of Management & Budget

Martha Stark
Commissioner of Finance

Martha K. Hirst
Commissioner,
Department of Citywide Administrative Services

Organization Chart

Office of Labor Relations

James F. Hanley
Commissioner

Pamela S. Silverblatt
First Deputy Commissioner

Dorothy A. Wolfe
Director, Employee Benefits Program

Deferred Compensation Plan

Georgette Gestely
Director
Pre-Tax Benefits & Citywide Programs

Beth Kushner
Deputy Director, Administration

Joan Barrow
Chief Accountant

Roseann S. Amengual
Assistant Director
Administrative Support

Mindi Schwartz
Deputy Director
Contracts and Legal Affairs

Sang Hong
Deputy Director
Operations

The City of New York

OFFICE OF LABOR RELATIONS
Deferred Compensation Plan
40 Rector Street, Third Floor, New York, N.Y. 10006
Tel: (212) 306-7760 / 1(888) DCP-3113 (Outside NYC)
TTY: (212) 306-7707 / Fax: (212) 306-7376
nyc.gov/deferredcomp

May 1, 2005

Deferred Compensation Board
City of New York Deferred Compensation Plan
40 Rector Street
New York, New York 10006

The Mayor's Office of Labor Relations is pleased to present you with the nineteenth Comprehensive Annual Financial Report of the City of New York Deferred Compensation Plan.

An Umbrella Program

The Deferred Compensation Plan is an umbrella program for two defined contribution plans: the 457 Plan and the 401(k) Plan. The 457 Plan began operations in 1986 and the 401(k) Plan was introduced in January 2002. The two programs offer the same array of investment options to participants. Eligible participants for the Deferred Compensation Plan include employees of the City of New York, the Housing Authority, the School Construction Authority, the Water Finance Authority, the Department of Education, the Health & Hospitals Corporation, and the community colleges of the City University of New York (401(k) only). As of December 31, 2004, the 457 Plan had $6 billion in assets; and just three years after its introduction, the 401(k) Plan has climbed to $200 million in assets placing it squarely in the mid-size category for defined contribution plans nationwide.

The Restructured Plan in 2004

The Plan once again took steps to reduce overall fees, broaden investment choices, and lower risk for participants by minimizing the kind of trading abuses that were identified in the mutual fund industry in 2003.

The Plan completed its conversion from a mutual fund platform to one of separately managed investment funds. The two index pieces, the S&P 500 Index Fund and the index portion of the Small-Cap Fund, were the last pieces to be converted. Unlike a mutual fund, a separate account is not open to outside investors and is created solely for the benefit of Plan participants. These separate accounts only contain Deferred Compensation Plan assets and all participants trade according to the same rules. This final conversion has resulted in a further 9% reduction in the Plan's fees to an overall weighted average fee of 0.31% (31 basis points) for participants.

Plan Funding and Expense Payment

The City of New York Deferred Compensation Plan is an entirely self-funded program which, in 2004, was financed through participants' quarterly administrative fees, amounts deducted from the net asset values, securities lending income, recaptured commissions, and interest earned on assets held in the Plan's custodial account. These funds cover all participant-directed activities, communications, and administrative expenses. These funds also cover the cost of the Plan's administrative and investment advisors: Mercer Investment Consulting, Inc., Milliman USA, and Wilshire Consulting; the Plan's custodian, The Bank of New York; the Plan's legal advisors: Pillsbury Winthrop, LLP and Herzfeld & Rubin, P.C.; the Plan's auditor, UHY, LLP; and the Plan's recordkeeper, Financial Administrative Services Corporation, which is responsible for the maintenance of individual participant accounts and the issuance of quarterly participant statements.

Membership as of December 31, 2004

	457 Plan	401(k) Plan
Active Participants	97,388	10,821
Terminated Participants and Beneficiaries	10,264	58
Total Participants	107,652	10,879

> ***"The Plan completed its conversion from a mutual fund platform to one of separately managed investment funds… The conversion has resulted in a further 9% reduction in the Plan's fee to an overall weighted average fee of 0.31% (31 basis points) for participants."***

Investments

In 2004, the Deferred Compensation Plan offered four pre-arranged portfolios and seven core investment options. The investment performance results, net of fees, are shown below:

Investment Option	2004 Yield/Return
Pre-Arranged Portfolio A	6.4%
Pre-Arranged Portfolio B	8.8%
Pre-Arranged Portfolio C	10.6%
Pre-Arranged Portfolio D	12.4%
Stable Income Fund	4.7%
Bond Fund	5.1%
Equity Index Fund	10.9%
Socially Responsible Fund	10.1%
Mid-Cap Equity Fund	19.4%
International Equity Fund	16.4%
Small-Cap Equity Fund	18.5%

Awards

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of New York Deferred Compensation Plan for its comprehensive annual financial report for the fiscal year ended December 31, 2003. This was the tenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

National Association of Government Defined Contribution Administrators Leadership Recognition Award

In 2004, the National Association of Government Defined Contribution Administrators (NAGDCA) conferred a leadership recognition award to the Plan for outstanding achievement in the field of Government Defined Contribution Administration. The Plan was recognized in the category of Plan Design and Administration for the conversion of investment funds from mutual funds to separate accounts.

2004 Annual Report

The management of the Plan is responsible for the information in this report and for establishing and maintaining a system of internal controls sufficient to provide integrity to all financial information and to permit reporting in conformity with generally accepted accounting principles. We believe the information presented in the Comprehensive Annual Financial Report is accurate and fair in all material respects.

The 2004 Annual Report has been designed to provide readers with the information necessary to gain an understanding of the Deferred Compensation Plan's activities. The report is divided into four sections:

- The Introductory Section, which includes a list of Deferred Compensation Board members, an organization chart, this Letter of Transmittal, the reproduction of the GFOA Certificate and NAGDCA award, and the Plan Summary;
- The Financial Section, which reports the results of the independent audit of the Deferred Compensation Plan conducted by the accounting firm of UHY, LLP;
- The Investment Options Section, which describes the Plan's eleven investment options (4 pre-arranged portfolios and 7 core options) and their performance during 2004 and over longer time periods, and the Self-Directed Brokerage Option, and;
- The Statistical Section, which includes net assets available for Plan benefits, additions to and deductions from Plan assets by type, employee participation and deferral trends, and a summary of administrative revenues and expenses.

This Letter of Transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Acknowledgements

We wish to express our appreciation and gratitude to the dedicated and knowledgeable individuals who comprise both the staff and the consulting community of the Deferred Compensation Plan. These individuals insure the continued availability to New York City employees of the finest possible defined contribution plan at the lowest possible cost.

Sincerely,

Georgette Gestely
Director

Joan E. Barrow
Chief Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New York

Deferred Compensation Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation SEAL Chicago

President

Executive Director

National Association of Government Defined Contribution Administrators, Inc.

NAGDCA

2004 LEADERSHIP RECOGNITION AWARD

FOR OUTSTANDING ACHIEVEMENT IN THE FIELD OF GOVERNMENT DEFINED CONTRIBUTION ADMINISTRATION

City of New York

Plan Summary

The City of New York Deferred Compensation Board (the "Board") was established on April 16, 1985, by Executive Order No. 81 of the Office of the Mayor. The Board is comprised of the Mayor of the City of New York, Comptroller of the City of New York, Director of the Office of Management & Budget, Commissioner of Finance, Commissioner of the Office of Labor Relations, Commissioner of Citywide Administrative Services, and Corporation Counsel. In 1986, the Board implemented the Deferred Compensation Plan for Employees of the City of New York and Related Agencies and Instrumentalities (the "457 Plan") which is governed by §457 of the Internal Revenue Code of 1986, as amended (the "Code"). In January 2002, the Board commenced enrollment in the 401(k) Plan for Employees of the City of New York and Related Agencies and Instrumentalities (the "401(k) Plan"). The Mayor's Office of Labor Relations (the "Plan Administrator") administers both the 457 Plan and the 401(k) Plan (which will sometimes be referred to together as the "Plans"). The Plans will, at all times, comply with the Code and corresponding federal and state regulations and all other applicable laws.

The Plans are voluntary retirement contribution programs. The employers participating in the Plans include the City of New York, the Department of Education, the Health and Hospitals Corporation, the community colleges of the City University of New York (the 401(k) Plan only), the New York City Housing Authority, the New York City School Construction Authority, the New York City Municipal Water Finance Authority, the New York City Teachers' Retirement System, and the New York City Employees' Retirement System.

Delegation by Employers

The employers participating in the Plans have delegated their powers, duties, and responsibilities under the Plans to the Board.

Participation

An employee is eligible to participate in the Plans after the date he or she becomes a participant by completing an agreement (the "Participation Agreement"), via the Plans' Web site or through the Plans' telephone voice response (VRU) system, with the Plan Administrator. All eligible employees enroll in either the 457 Plan or the 401(k) Plan through the Plans' Web site at nyc.gov/deferredcomp, through the Plans' telephone voice response (VRU) system at (212) 306-7760, or by submitting an enrollment form.

The Participation Agreement must specify: a) the percentage of the participant's compensation to be deferred, in multiples of 0.5%, not less than 1% or greater than 50%; and b) the investment option(s) selected by the participant, including the percentages to be allocated to the selected option(s), in increments of 1%.

Maximum Deferrals

The maximum amount which may be deferred by a participant in the 457 Plan in a calendar year may not exceed the lesser of (a) $13,000 (increased to $14,000 in 2005) or (b) 50% of an active participant's "includible compensation" (as defined by the Code). However, under certain circumstances, up to double the annual maximum participant contribution may be deferred by a participant during each of the last three years prior to reaching his or her designated "Normal Retirement Age" ("Retirement Catch-Up Amount") if less than the maximum was deferred during earlier years. In addition, participants age 50 and over can defer an additional $3,000 (increased to $4,000 in 2005), irrespective of prior contributions ("Age 50 and Over Catch-Up"). Participants age 50 and over can defer the greater of: (i) the Retirement Catch-Up Amount, or (ii) the Age 50 and Over Catch-Up amount in any of the three years prior to the designated Normal Retirement Age. If a participant contributes to two 457 plans, the amounts deferred under such plans are aggregated in applying the maximums stated above.

The maximum amount which may be deferred by a participant in the 401(k) Plan in a calendar year may not exceed the lesser of (a) $13,000 (increased to $14,000 in 2005) or (b) 50% of an active participant's "includible compensation" (as defined by the Code). Participants age 50 and over can defer an additional $3,000 (increased to $4,000 in 2005), irrespective of prior contributions. If a participant contributes to two 401(k) plans, or two 403(b) plans, or a 401(k) and 403(b) plan, the amounts deferred under all such plans are aggregated in applying the maximums stated above.

Participants contributing to both the 457 Plan (non-qualified plan) and the 401(k) Plan (qualified plan) do not have to aggregate and are permitted to contribute the maximum to each plan.

Assets Held in the Custodial Account

The following list consists of the various types of assets held in the custodial account for the exclusive benefit of the Plans participants and their beneficiaries: (1) all amounts of compensation deferred under the Plans, (2) all property and rights purchased with such amounts, and (3) all income attributable to such amounts, property or rights.

Beneficiaries

Each participant must file with the Plan Administrator a separate designation for the 457 Plan and 401(k) Plan of one or more beneficiaries entitled to receive the amount, if any, payable under the Plans upon the participant's death. A participant may revoke or change his or her beneficiary designation without the consent of any prior beneficiary by completing a new designation with the Plan Administrator. The last such designation on file with the Plan Administrator will be controlling. No designation or change or revocation of a beneficiary designation will be effective unless received by the Plan Administrator prior to the participant's death, and in no event will it be effective as of a date prior to such filing.

If no beneficiary designation is in effect at the time of a participant's death, or if no primary or contingent beneficiary survives the participant, payment will be made to the participant's surviving spouse or, if the participant has no surviving spouse, to the participant's estate.

Amendment of Participation Agreements

The Participation Agreement is legally binding and irrevocable with respect to all amounts deferred while it is in effect. However, a participant may make certain changes to the Participation Agreement which are allowed under the Plans. By using a personal identification number to access his or her account through the telephone voice response system or through the Plans' Web site, a participant may, as often as he or she wishes, suspend deferrals or may increase or decrease, in multiples of 0.5%, the percentage of wages to be deferred. In addition, a participant may, either through the telephone voice response system or through the Web site, change the investment direction of future deferrals and initiate account transfers between investment options in multiples of 1%. There is no restriction on the number of times a participant may change the investment direction of future deferrals or initiate account transfers except that once a participant transfers assets into the International Equity Fund, those same assets will be subject to a 2% redemption fee if removed prior to 32 days. An employee participating in both the 457 Plan and 401(k) Plan who wishes to make any changes must do so independently for each Plan.

Recommencement of Participation

An employee who has severed from New York City service may rejoin the 457 Plan, the 401(k) Plan, or both and become an active participant after returning to New York City service by following the procedures set forth above.

Any person who was a City employee after 1986 has the opportunity to join the 401(k) Plan irrespective of whether they are currently employed by the City. Employees that are no longer actively employed by the City may join the 401(k) Plan, however, only rollovers or transfers can be used to fund the account.

Maintenance of Accounts

For both the 457 Plan and the 401(k) Plan, the recordkeeper establishes an account for each participant to which any amounts deferred, transferred or distributed under the Plans are credited or charged, including any increase or decrease in the value of the investment options specified in the Participation Agreement or any amendment thereto. All investment options offered under the Plans are offered by persons, companies or entities authorized to do business in the State of New York and duly licensed, if applicable, by the appropriate federal agencies regulating such investments. The Board is not responsible for any decrease in the value of a participant's account resulting from capital or market changes or any other changes occurring in the investment options of the participant's account.

Crediting of Accounts

Each participant's account is credited with amounts authorized for deferral or incoming transfer within four business days of receipt by the Plans' custodian. Funds are invested in accordance with participants' directions in one or more financial organizations appointed by the Board, to be held, managed, invested and reinvested in accordance with the applicable agreement entered into by the Board with each such financial organization.

Account Reporting

A statement of the total amount invested in a participant's account is furnished to each participant not more than thirty days after the end of each calendar quarter. If employees participate in both the 457 Plan and 401(k) Plan, they will receive only one statement but each plan will be separately accounted. Participants may also access their balance information through the Plans' telephone voice response system or Web site. All reports to a participant are based on the net fair market value or book value, as applicable, of the investment options as of the effective date of the report, to the extent such values are available to the Plan Administrator.

Fees

Effective January 1, 2004, only a single quarterly $12.50 administrative fee is assessed for participation in both the 457 Plan and the 401(k) Plan. The administrative fee covers the cost of administering the Plans, safeguarding assets, and providing appropriate information and services including the printing and mailing of quarterly statements and annual reports. In addition, to offset Plan expenses, amounts are deducted from the net asset values of each of the investment options. In addition, each investment manager charges an investment management fee that is deducted directly from each investment option's daily price.

Incoming Rollover or Transfers

Participants in the Deferred Compensation Plan are eligible to roll over their pre-tax assets from other eligible retirement plans into the 401(k) Plan. The 457 Plan accepts transfers from other 457 plans only. The 401(k) Plan accepts rollovers from all eligible retirement plans (as defined by the Code), including 401(a), 457, 401(k), 403(b) and rollover IRAs. The Deferred Compensation Plan has also established the Special 401(k) Rollover Account exclusively for the acceptance of the federally tax-deferred portion of a participant's City pension and annuity funds.

In-Service Withdrawals

Emergency Withdrawals

A 457 Plan participant who experiences an unforeseeable emergency (as defined by the Code) may apply in writing to the Board for a determination of whether the guidelines for an emergency withdrawal under §457 of the Code have been met. Any determination by the Board of what constitutes an unforeseeable emergency or the amount needed to satisfy the emergency is final. Upon Board approval, the Plan's recordkeeper will disburse to the participant the amount authorized by the Board. Distributions are subject to applicable taxes.

A 401(k) Plan participant who experiences an immediate and heavy financial need (as defined by the Code) may apply in writing to the Board for a determination of whether the guidelines for a withdrawal under §401 of the Code have been met. Any determination by the Board of what constitutes an immediate and heavy financial need or the amount needed to satisfy the need is final. Upon Board approval, the Plan's recordkeeper will disburse to the participant the amount authorized by the Board. Distributions are subject to applicable taxes and penalties.

Withdrawals after age 59 1/2 from the 401(k) Plan

401(k) Plan participants age 59 1/2 and older are eligible to take distributions, without penalty, from their 401(k) account while still working for the City.

Direct Transfer for the Purpose of Purchasing Permissive Service Credit

457 Plan participants are eligible to use their 457 Plan assets as a source of funding for the purchase of permissive service credits (as defined by the Code) in any defined benefit plan or pension system, via a direct transfer.

457 Plan Small Account Withdrawals

A participant may be entitled to a full withdrawal of his or her account prior to severance from service if the account balance does not exceed $5,000, there have been no contributions during the two-year period ending on the date of distribution, and there has been no prior small account withdrawal.

Other than these allowable in-service withdrawals, participants may not withdraw from their accounts until they sever from New York City service.

Loans

Beginning on or about June 1, 2005 for the 401(k) Plan and on or about September 1, 2005 for the 457 Plan, the ability to receive loans will be made available from a participant's Plan account. The minimum loan amount is $2,500. The maximum amount of an approved loan shall not exceed the lesser of: (i) 50% of the participant's 457 or 401(k) Plan account balance; or (ii) $50,000 less the combined balance of all outstanding loans a participant may have from pension loans, 403(b) and other Deferred Compensation Plan loans. Participants will be permitted to receive one loan in any 12-month period and may have no more than two loans outstanding at anytime from each Plan. A loan origination fee in the amount of $50.00 shall be deducted from the loan amount approved and a quarterly maintenance fee of $8.75 shall be deducted from the participant's account for the term of each loan.

Distribution of Benefits

Upon a participant's severance from New York City service, or if a 401(k) Plan participant attains age 59 1/2 or older, the participant is entitled to receive an amount equal to the value of his or her account, to be paid in accordance with one of the methods described below. Participants can choose to remain in the Plans and are not required to withdraw, roll over or transfer their account upon severance from New York City service.

There are no distribution election requirements upon severance from New York City service and participants can make distribution requests at any time by submitting a Distribution Form.

Commencement Date

Subject to Required Minimum Distributions, a participant may elect any commencement date as long as such date is no earlier than the sixtieth day after severance from City service. A participant has the option to cancel or change their distribution schedule at anytime upon proper notice to the Plan Administrator. Upon reaching the later of April 1st of the calendar year following: (1) the calendar year he or she reaches age 70 1/2, or (2) the calendar year in which he or she severs from New York City service, participants are required to receive a minimum distribution from their account.

Method of Distribution for Direct Payment

If a participant chooses to take direct payments, the following methods of distribution are available under the Plans:

1) Full Lump Sum Payment; or
2) A specified Amount Certain of a participant's account; or
3) Substantially equivalent monthly, quarterly, semi-annual or annual installment payments; or
4) A specified Amount Certain of a participant's account, with the remaining balance paid in substantially equivalent monthly, quarterly, semi-annual or annual installments.

Rollovers or Transfers Out of the Plans

If a participant chooses to transfer or roll over his or her Deferred Compensation account, or a portion thereof, it must be to an eligible retirement plan, (401(a), 457, 401(k), 403(b) or rollover IRA). 457 Plan participants are permitted to roll over or transfer upon severance from City service. 401(k) Plan participants are eligible to roll over upon severance from City service or upon reaching age 59 1/2.

Election of Length of Distribution

If a participant elects installment payments, he or she may specify either: (1) the total number of installment payments, or (2) the dollar amount of each payment. In either case, distributions cannot be paid over a period of time which exceeds the life expectancy of the participant or, in certain circumstances, the joint life expectancy of the participant and a "designated beneficiary" (as defined by the Code). Installment payments will be recalculated annually and will be paid only until the account is exhausted.

Distribution Elections by Beneficiaries

Subject to Required Minimum Distributions, beneficiaries are eligible to select how to receive distributions from the decedent's account by the submission of a Beneficiary Distribution Form. Distributions to a "designated beneficiary" must be made over a period that does not exceed the life expectancy of the beneficiary, while all other beneficiaries must complete distribution by the fifth anniversary of the participant's death. Only spousal beneficiaries are eligible to roll over assets to a traditional IRA. For a participant who has begun receiving distributions from his or her account, any amount not distributed to the participant during his or her life will be distributed after the death of the participant at least as rapidly as under the method of distribution being used by the participant.

If a participant died before his or her required beginning date, distribution to a spousal beneficiary must begin on or before December 31st of the year in which such participant would have attained age 70 1/2. All other beneficiaries must begin no later than December 31st of the calendar year following the calendar year in which the participant died. If a participant died after his or her required beginning date, distributions to all beneficiaries must begin no later than December 31st of the calendar year following the calendar year in which the participant died.

Introduction to Financial Section For the 457 & 401(k) Plans

The Management of the City of New York Deferred Compensation Plan is responsible for establishing and maintaining procedures to administer and oversee Plan operations. An internal control structure is designed to provide reasonable assurance that the assets of the system are safeguarded against loss, theft, or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Furthermore, the concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed the benefits likely to be derived from it; and
2. the valuation of cost and benefits requires estimates and judgment by management.

To be in accordance with these principals, an audit should be viewed as independent and impartial, by knowledgeable third parties. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting operations records, including assessing the estimates, judgments and decisions made by management.

UHY LLP
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Deferred Compensation Board and Participants of the
Deferred Compensation Plan for Employees of the City of New
York and Related Agencies and Instrumentalities 457 and 401(k) Plans

We have audited each of the statements of net assets available for plan benefits of Deferred Compensation Plan for Employees of the City of New York and Related Agencies and Instrumentalities 457 and 401(k) Plans (the "Plans") as of December 31, 2004 and 2003, and each of the related statements of changes in net assets available for plan benefits for the years then ended. The Plans' financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Plans' financial statements referred to above present fairly, in all material respects, the net assets available for Plan benefits of the Plans as of December 31, 2004 and 2003, and the changes in net assets available for Plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Plans' basic financial statements taken as a whole. The combining schedules of net assets available for benefits as of December 31, 2004 (with comparative totals for December 31, 2003), and schedules of cash receipts and disbursements and administrative expenses, custodial and recordkeeping fees for the years then ended, are supplemental information presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

UHY LLP

New York, New York
April 5, 2005

Using This Comprehensive Annual Financial Report (CAFR)

This CAFR consists of a series of financial statements. The Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits (on pages 18 and 19) provide information about the 457 and 401(k) Plans. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when earned or incurred regardless of when cash is received or paid.

Our discussion and analysis of the Deferred Compensation Plan for Employees of the City of New York and Related Agencies and Instrumentalities' financial performance provides an overview of the Plans' financial activities for the year ended December 31, 2004. Please read it in conjunction with the transmittal letter on page 5 and the Plans' financial section, which begins on page 12.

457 and 401(k) Plans' History

The 457 Plan was established in 1986 to provide employees of the City of New York and related agencies and instrumentalities the ability to defer a portion of current earnings on a pre-tax basis. The 457 Plan has steadily grown over the years. As of December 31, 2004, the Plan has 107,652 participants. This represents a slight increase of 786 participants over the previous year.

The 401(k) Plan was implemented in 2002 and, as a result, employees have an opportunity to further defer additional current earnings. The 401(k) Plan has 10,879 participants as of December 31, 2004. This represents an increase of 36% over 2003.

Plan Administration

In 2003, the Plans initiated a commission recapture program and securities lending program. The commission recapture program allows the Plans' eligible investment managers to trade with Plans-selected brokers, who return a portion of those commissions to the Plans which are used to defray other expenses of the Plans on behalf of participants. The securities lending program, provided through the Plans' global master custodian, allows the Plans' securities to be lent out in exchange for specified high quality cash collateral, which is invested in accordance with the Plans' guidelines. Neither of these programs would be possible without the Plans' conversion to separately managed accounts.

In mid-2004, the Plans added the option of investing in a self-directed brokerage account, opening up the opportunity for participants to invest in any of over 9,500 mutual funds, including over 850 no-load/no-transaction fee funds. The maximum percentage of account balance that can be transferred from the 457 or 401(k) Plan account to the self-directed brokerage option is 20% and participants are required to have a minimum of $5,000 in either their 457 or 401(k) Plan account to be eligible to enroll in this option. As of December 31, 2004, the self-directed brokerage option had $1.7 million in assets.

Finally, in keeping with industry best practices, the Plans introduced a 2% redemption fee on the amounts transferred out of the International Equity Fund which had been held in this fund for less than 32 days. This change was initiated to strongly discourage frequent trading of the International Equity Fund. The fees collected are reinvested back into the International Equity Fund in order to offset the decrease in fund value associated with the trades.

Financial Highlights

Plan Assets, Deferrals and Deductions - 457 Plan

Net assets available for Plan benefits exceeded $6.0 billion at the end of 2004, which represents an increase of 15.2% over the previous year-end. In 2004, contributions from participants increased by approximately $3.5 million.

457 Plan Additions for 2004, 2003, and 2002 (in thousands)	***2004***	***2003***	***2002***
Employee contributions	**$ 495,729**	$ 492,211	$ 495,610
Interest and dividends	**89,320**	114,418	119,429
Appreciation/(Depreciation) in fair value - net	**462,703**	779,845	(707,572)
Money management fees	**(9,694)**	(7,958)	(8,025)
Securities lending interest income	**15,587**	1,857	-
Commission recapture income	**256**	214	-
Other	**-**	98	543
Total Plan additions (deductions)	**$ 1,053,901**	**$** 1,380,685	**$** (100,015)

457 Plan Deductions for 2004, 2003, and 2002 (in thousands)	***2004***	***2003***	***2002***
Distributions to participants	**$ 236,081**	$ 205,956	$ 243,316
Recordkeeping fees	**4,050**	3,459	3,184
Custodial fees	**715**	584	-
Securities lending fees	**13,596**	1,183	-
Administrative expenses	**4,124**	3,965	3,782
Total Plan deductions	**$ 258,566**	**$** 215,147	**$** 250,282

Statements of Net Assets Available for Plan Benefits (in thousands)

457 Plan	***2004***	***2003***	***2002***
Total assets	**$ 7,285,434**	$ 5,855,276	$ 4,074,528
Total liabilities	**$ 1,251,552**	$ 616,729	$ 1,519
Net assets available for Plan benefits	**$ 6,033,882**	$ 5,238,547	$ 4,073,009
Increase (decrease) in net assets available for Plan benefits	**$ 795,335**	$ 1,165,538	$ (350,297)

Plan Assets, Deferrals and Deductions - 401(k) Plan

Net assets available for Plan benefits exceeded $200 million at the end of 2004, an increase of 78.1% over the previous year-end. Contributions from participants were approximately $77 million, as compared to $66 million in 2003. The number of participants has increased to 10,879 from 7,992 at December 31, 2004.

401(k) Plan Additions for 2004, 2003, and 2002 (in thousands)	***2004***	***2003***	***2002***
Employee contributions	**$ 76,755**	$ 66,091	$ 36,952
Interest and dividends	**3,043**	1,705	229
Appreciation/(Depreciation) in fair value - net	**11,651**	9,886	(489)
Money management fees	**(323)**	(170)	(69)
Securities lending interest income	**443**	39	-
Commission recapture income	**7**	4	-
Other	**-**	2	-
Total Plan additions	**$ 91,576**	$ 77,557	$ 36,623

401(k) Plan Deductions for 2004, 2003, and 2002 (in thousands)	***2004***	***2003***	***2002***
Distributions to participants	**$ 3,245**	$ 1,016	166
Recordkeeping fees	**94**	223	116
Custodial fees	**23**	13	-
Securities lending fees	**386**	25	-
Administrative expenses	**106**	79	166
Total Plan deductions	**$ 3,854**	$ 1,356	$ 448

Statements of Net Assets Available for Plan Benefits (in thousands)

401(k) Plan	***2004***	***2003***	***2002***
Total assets	**$ 241,582**	$ 125,154	$ 36,312
Total liabilities	**41,484**	12,778	137
Net assets available for Plan benefits	**$ 200,098**	$ 112,376	$ 36,175
Increase in net assets available for Plan benefits	**$ 87,722**	$ 76,201	$ 36,175

Plans' Activities

Total net assets available for Plan benefits increased by approximately $795 million for the 457 Plan and $88 million for the 401(k) Plan. Total investment income for the combined plans was $556 million, a decrease of $341 million from 2003. This decrease was a result of lower returns during 2004. Participants' contributions increased in both plans due to increased enrollment. In 2004, the Plans realized net income of $2 million from the securities lending program which represents an increase of $1.4 million from the prior year. This increase was possible as a result of the inclusion of the equity index fund as part of the pool funds available to be loaned under the program. Total recordkeeping, custodial fees, and administrative expenses approximated $9 million in the 457 Plan and $0.2 million in the 401(k) Plan. All expenses were financed through amounts collected from participants' accounts, amounts deducted from the net asset values, interest earned from the Plans' custodial account, commission recapture and securities lending.

Fund Performances

The fund performances at December 31, 2004 and 2003 were as follows:

	2004		2003	
Fund Name	**Annual Return**	**Market Benchmark**	**Annual Return**	**Market Benchmark**
Stable Income Fund	4.7%	0.9%	5.2%	1.9%
Bond Fund	5.1%	5.1%	5.3%	6.0%
Equity Index Fund	10.9%	10.9%	28.7%	28.7%
Socially Responsible Fund	10.1%	10.9%	28.0%	28.7%
Mid-Cap Equity Fund	19.4%	20.2%	26.9%	40.1%
International Equity Fund	16.4%	20.7%	30.5%	39.2%
Small-Cap Equity Fund	18.5%	18.3%	44.7%	47.3%

During 2004, the majority of the funds matched or exceeded their benchmarks. The Socially Responsible Fund and Mid-Cap Equity Fund slightly underperformed their benchmarks for 2004, but outperformed their benchmarks for the fourth quarter of 2004. While the International Equity Fund trailed its benchmark in 2004, both Capital Guardian Trust Company and Bank of Ireland Asset Management LTD, sub-managers within the International Equity Fund, were replaced.

Statements of Net Assets Available for Plan Benefits
December 31, 2004 and 2003
(in thousands)

	457 Plan		401(k) Plan	
ASSETS	**2004**	**2003**	**2004**	**2003**
Investments: (Notes 1 and 2)				
Stable Income Fund	**$ 1,943,371**	$ 1,758,063	**$ 92,803**	$ 56,674
Variable investment options:				
Bond Fund	**163,667**	134,860	**13,664**	7,595
Equity Index Fund	**2,313,406**	2,062,397	**43,256**	23,191
Socially Responsible Fund	**239,609**	213,256	**2,873**	1,462
Mid-Cap Equity Fund	**112,808**	61,885	**13,529**	6,351
International Equity Fund	**299,723**	229,998	**14,586**	7,159
Small-Cap Equity Fund	**957,754**	776,570	**19,317**	9,935
Self-Directed Brokerage Option	**1,656**	-	**63**	-
	$ 6,031,994	$ 5,237,029	**$ 200,091**	$ 112,367
Securities lending collateral, invested	**1,249,500**	614,771	**41,448**	12,647
Other assets	**1,765**	1,569	**2**	34
Cash	**2,175**	1,907	**41**	106
Total assets	**$ 7,285,434**	$ 5,855,276	**$ 241,582**	$ 125,154
LIABILITIES				
Securities lending collateral, due to borrowers	**$ 1,249,500**	$ 614,771	**$ 41,448**	$ 12,647
Accounts payable and accrued expenses	**1,451**	1,192	**27**	21
Other	**601**	766	**9**	110
Total liabilities	**$ 1,251,552**	$ 616,729	**$ 41,484**	$ 12,778
NET ASSETS AVAILABLE FOR PLAN BENEFITS	**$ 6,033,882**	$ 5,238,547	**$ 200,098**	$ 112,376

See Notes to Financial Statements.

Statements of Changes in Net Assets Available for Plan Benefits
Years Ended December 31, 2004 and 2003
(in thousands)

	457 Plan		401(k) Plan	
	2004	2003	2004	2003
ADDITIONS/(DEDUCTIONS) TO NET ASSETS ATTRIBUTED TO:				
Net investment income:				
Interest and dividends	$ 89,320	$ 114,418	$ 3,043	$ 1,705
Appreciation in fair value - net	462,703	779,845	11,651	9,886
Money management fees	(9,694)	(7,958)	(323)	(170)
	542,329	886,305	14,371	11,421
Contributions:				
Plan participants - deferrals of compensation	495,729	492,211	76,755	66,091
Securities lending interest income	15,587	1,857	443	39
Commission recapture income	256	214	7	4
Other	-	98	-	2
	511,572	494,380	77,205	66,136
Total additions	$ 1,053,901	$ 1,380,685	$ 91,576	$ 77,557
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:				
Benefits paid to participants and beneficiaries	236,081	205,956	3,245	1,016
Recordkeeping fees	4,050	3,459	94	223
Custodial fees	715	584	23	13
Administrative expenses	4,124	3,965	106	79
Securities lending fees	13,596	1,183	386	25
Total deductions	$ 258,566	$ 215,147	$ 3,854	$ 1,356
Increase in net assets available for Plan benefits	$ 795,335	$ 1,165,538	$ 87,722	$ 76,201
NET ASSETS AVAILABLE FOR PLAN BENEFITS, beginning	$ 5,238,547	$ 4,073,009	$ 112,376	$ 36,175
NET ASSETS AVAILABLE FOR PLAN BENEFITS, ending	$ 6,033,882	$ 5,238,547	$ 200,098	$ 112,376

See Notes to Financial Statements.

Note 1 - Description of Plan and Significant Accounting Policies

Plan Description

The following description of the Deferred Compensation Plan for Employees of the City of New York and Related Agencies and Instrumentalities (the "457 Plan" and the "401(k) Plan", or the "Plans") provides only general information. Participants should refer to the respective Plan documents for a more complete description of the Plans' provisions.

General

The 457 and 401(k) Plans are defined contribution plans which permit employees of the City of New York (the "City") and related agencies and instrumentalities (together, the "Employer") to defer receipt of a portion of their current salary until future years. Participants do not pay income taxes on their contributions or investment returns while these funds remain in the Plans.

The 457 Plan is intended to satisfy the requirements for an "eligible State deferred compensation plan" under Section 457 of the Internal Revenue Code of 1986, as amended (the "Code"). The 401(k) Plan is a "qualified plan" under Section 401(k) of the Code.

Assets in the Plans are held in a custodial account for the exclusive benefit of Plans' participants and their beneficiaries.

The Plans are reported as employee benefit trust funds within the City of New York's Comptroller's Comprehensive Annual Financial Report as required by Governmental Accounting Standards Board ("GASB") Statement No. 34.

Contributions

Participants may contribute up to $13,000 in 2004 and $12,000 in 2003 of "includible compensation" (as defined in the Code) to each plan (this amount was increased to $14,000 in 2005). If an employee is age 50 or older, the employee is permitted to contribute up to $16,000 to each plan in 2004 and $14,000 in 2003 (this amount was increased to $18,000 in 2005).

Participants' Accounts

Each participant's account is credited with the participant's contributions as remitted, with a daily allocation of earnings on the investment options in which the participant is invested, and is charged with a quarterly administrative expense fee, and a daily reduction of net asset value of three basis points (0.03%). Each participant's account balance is invested in accordance with the investment option(s) selected by the participant. Participants are fully vested in their account balances at all times.

Payment of Benefits

<u>457 Plan</u>

A participant's 457 deferred compensation account balance is available upon severance from service, retirement, death, or the occurrence of certain unforeseeable emergencies as defined by the Code. A participant may elect to receive one lump sum amount equal to the value of the account, a specified amount certain, a specified amount certain with the balance paid in substantially equivalent installment payments paid in monthly, quarterly, semi-annual or annual payments over a period not exceeding the life expectancy of the participant, or, in certain circumstances, the joint life expectancy of the participant and a "designated beneficiary" (as defined by the Code). Funds can also be rolled over into an Eligible Retirement Plan (as defined in the Code) or an Individual Retirement Account (IRA).

Certain eligible participants are entitled to a full distribution of their account prior to severance from service if the total amount payable does not exceed $5,000; there were no contributions during the two-year period ending on the date of distribution; and there have been no prior distributions of this type.

457 Plan participants are eligible to use their 457 Plan assets as a source of funding for the purchase of permissive service credits via a direct transfer.

<u>401(k) Plan</u>

A participant's 401(k) deferred compensation account balance is available upon severance from service, retirement, death, or the occurrence of an immediate and heavy financial need as defined by the Code. A participant may elect to receive one lump sum amount equal to the value of the account, a specified amount certain, a specified amount certain with the balance paid in substantially equivalent installment payments paid in monthly, quarterly, semi-annual or annual payments over a period not exceeding the life expectancy of the participant, or, in certain circumstances, the joint life expectancy of the participant and a “designated beneficiary” (as defined by the Code). 401(k) Plan participants age 59 1/2 and older are eligible to take distributions, without penalty, from their 401(k) accounts while still in service. Upon severance from service, or attainment of age 59 1/2, funds may be rolled over into an Eligible Retirement Plan (as defined in the Code), or an Individual Retirement Account (IRA).

Plans Termination

The Deferred Compensation Plan’s Board has the right under each of the Plans to amend, suspend or terminate the Plans, any deferrals thereunder, or any investment fund, in whole or in part. Upon termination of the Plans, all amounts deferred shall be payable as provided in the Plans.

Investments

The Plans’ investments consist of:

- A stable income fund which has guaranteed investment contracts with insurance companies and managed fixed-income portfolios.
- A bond fund whose weighted average maturity typically ranges between three and six years. The fund emphasizes investments in high-quality bonds, including U.S. Treasury bonds, agency securities, corporate bonds, mortgage-backed bonds and asset-backed bonds.
- An equity index fund whose objective is to replicate the return of the Standard & Poor’s 500 Composite Stock Price Index.
- A socially responsible equity fund that invests in companies that meet certain defined societal objectives.
- A mid-cap equity fund that invests in U.S.-based medium-sized companies and is benchmarked to the Russell MidCap Index.
- An international equity fund that invests in international equity markets that focus on countries where growth opportunity is expected.

  In keeping with industry best practices, effective July 1, 2004, transfers out of the International Equity Fund will be assessed a 2% redemption fee on the amounts transferred into the fund within the previous 32 consecutive calendar days. Any amounts held longer than 32 consecutive calendar days will not be assessed the redemption fee. This is meant to strongly discourage frequent trading of the International Equity Fund. The fees collected will be reinvested back into the International Equity Fund in order to offset the decrease in fund value associated with the trades. Lump sum withdrawals and periodic distributions will not incur the redemption fee, and payroll contributions made to the International Equity Fund held less than the 32 days will not be included in the calculation of the redemption fee if they are transferred out of the fund.
- A small-cap equity fund which invests in small- to medium-sized companies that are expected to grow at a faster rate than the average company.
- A self-directed brokerage option which allows participants to invest a portion of their assets in mutual funds offered outside the Plans.

The Plans also provide four options called pre-arranged portfolios, ranging from conservative to aggressive, to provide diversified investment options for participants with different risk tolerances. Each portfolio consists of varying percentages of the existing investment options described above.

Contributions are allocated among investment options based on participant designations through the Plans’ recordkeeper.

Basis of Accounting

The Deferred Compensation Plan presents its financial statements on the accrual basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Plans have adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” and Statement No. 37, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus”. The two statements require that State and Local governments’ financial statements include management’s discussion and analysis, Government wide financial statements, fund financial statements, notes to financial statements and required supplementary information. The statements also require State and Local governments to report infrastructure assets. There was no effect on net assets as a result of implementing GASB 34 and 37.

Reclassification

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentations.

Note 2 - Investments

The fair value of the Plans' investments at December 31, 2004 and 2003, segregated by funds, are as follows (in thousands):

	457 Plan		401(k) Plan	
	2004	2003	2004	2003
Stable Income Fund:				
Aegon	$ 46,837	$ 52,827	$ 2,236	$ 1,133
AIG Financial Products Corporations	203,539	198,365	9,718	4,255
Cigna Life Insurance Company	*8,827*	76,247	421	1,636
Commonwealth General Corporation	203,539	198,365	9,718	4,255
GE Capital Assurance	45,346	-	2,165	-
Hartford Life Insurance Company	52,377	51,410	2,501	1,103
ING	56,966	-	2,720	-
Jackson National Life Insurance Company	16,943	10,829	809	233
John Hancock Mutual Life Insurance Company	40,667	40,175	1,942	862
JP Morgan Chase	320,662	312,511	15,310	6,704
Metropolitan Life Insurance Company	50,763	50,185	2,424	1,076
New York Life Insurance Company	55,109	41,514	2,631	890
Ohio National	9,732	-	465	-
Principal Life Insurance Company	55,170	35,080	2,635	752
Prudential Life Insurance Company	52,548	51,455	2,509	1,104
Security Life of Denver Insurance Company	-	51,258	-	1,099
State Street Bank and Trust Company	356,192	347,140	17,007	7,446
Travelers Life Insurance Company	48,636	38,102	2,322	817
United of Omaha	8,202	-	392	-
Wells Fargo and Company	298,099	202,600	14,247	23,309
Maturities at Bank of New York	*13,217*	-	*631*	-
	1,943,371	1,758,063	92,803	56,674
Bond Fund:				
Pacific Investment Management Company, LLC	163,667	134,860	13,664	7,595
Equity Index Fund:				
Bank of NY Collective Trust S&P 500 Index	2,313,406	49,727	43,256	627
The Vanguard Group (Institutional Index Plus) Fund	-	2,012,670	-	22,564
	2,313,406	2,062,397	43,256	23,191
Socially Responsible Fund:				
Domini Social Investments, LLC	239,609	213,256	2,873	1,462
Mid-Cap Equity Fund:				
Bank of NY Collective Trust Mid-Cap Index Fund	4,340	3,480	522	357
Lord Abbett & Co	55,983	29,226	6,692	2,999
RCM	52,485	29,179	6,315	2,995
	112,808	61,885	13,529	6,351
International Equity Fund:				
Bank of NY Collective Trust ADR Fund	15,280	14,950	744	465
Mondrian (f/k/a *Delaware International Advisors, LTD.)*	82,659	34,612	4,022	1,077
Bank of Ireland Asset Management (U.S.) LTD.	267	50,292	13	1,565
Capital Guardian Trust Company (International (Non-U.S.) Equity Fund)	4,466	130,144	217	4,052
New Star	80,629	-	3,924	-
Alliance	115,192	-	5,606	-
Merrill Lynch	1,230	-	60	-
	299,723	229,998	14,586	7,159
Small-Cap Equity Fund:				
Bank of NY Collective Trust Russell 2000 Index Fund	54,815	38,878	1,106	497
T.Rowe Price Associates, Inc.	223,655	182,925	4,513	2,340
Ariel Capital Management, Inc.	225,945	177,105	4,560	2,266
Wellington Management Company, LLP (core)	291,536	247,599	5,873	3,168
The Vanguard Group (index)	-	130,063	-	1,664
Bank of NY	161,803	-	3,265	-
	957,754	776,570	19,317	9,935
Self-Directed Brokerage Option				
HarrisDirect	1,656	-	63	-
Total	$ 6,031,994	$ 5,237,029	$ 200,091	$ 112,367

Note 2 - Investments (Continued)

The pre-arranged portfolios are four groupings of varying percentages of the Plans' core investment options. At December 2004 and 2003, the composition of the fair value investments, based on management's estimates, in these four options is as follows (in thousands):

		Portfolio A	Portfolio B	Portfolio C	Portfolio D
457 Plan	**2004**				
	Stable Income Fund	$ 34,303	$ 30,441	$ 66,920	$ 7,333
	Bond Fund	7,938	10,167	40,215	7,374
	Equity Index Fund	7,019	12,536	85,035	33,658
	Mid-Cap Equity Fund	-	5,718	22,750	8,936
	International Equity Fund	4,391	7,451	44,299	18,002
	Small-Cap Equity Fund	-	3,794	22,654	9,436
	Totals	$ 53,651	$ 70,107	$ 281,873	$ 84,739
	2003	**Portfolio A**	**Portfolio B**	**Portfolio C**	**Portfolio D**
	Stable Income Fund	$ 23,849	$ 17,849	$ 47,485	$ 4,094
	Bond Fund	5,545	5,874	28,712	4,117
	Equity Index Fund	5,439	7,594	66,919	18,880
	Mid-Cap Equity Fund	-	3,292	16,600	4,706
	International Equity Fund	3,408	4,563	34,967	9,876
	Small-Cap Equity Fund	-	2,342	18,797	5,191
	Totals	$ 38,241	$ 41,514	$ 213,480	$ 46,864
401(k) Plan	**2004**	**Portfolio A**	**Portfolio B**	**Portfolio C**	**Portfolio D**
	Stable Income Fund	$ 6,405	$ 6,233	$ 5,531	$ 1,471
	Bond Fund	1,482	2,082	3,324	1,479
	Equity Index Fund	1,310	2,567	7,029	6,752
	Mid-Cap Equity Fund	-	1,171	1,880	1,793
	International Equity Fund	820	1,526	3,662	3,611
	Small-Cap Equity Fund	-	777	1,873	1,893
	Totals	$ 10,017	$ 14,356	$ 23,299	$ 16,999
	2003	**Portfolio A**	**Portfolio B**	**Portfolio C**	**Portfolio D**
	Stable Income Fund	$ 4,057	$ 3,266	$ 2,339	$ 730
	Bond Fund	943	1,077	1,416	734
	Equity Index Fund	925	1,393	3,300	3,365
	Mid-Cap Equity Fund	-	604	819	839
	International Equity Fund	580	837	1,724	1,761
	Small-Cap Equity Fund	-	430	927	926
	Totals	$ 6,505	$ 7,607	$ 10,525	$ 8,355

The above portfolios of the Plans consist of varying percentages of the investment options included in the fair value disclosure.

Note 2. Investments (continued)

Net investment income for the years ended December 31, 2004 and 2003, segregated by investment fund, was as follows (in thousands):

		Interest and Dividends	Appreciation in Fair Market Value - Net	Money Management Fees	Total
457 Plan	**2004**				
	Stable Income Fund	$ 89,037	$ -	$ (3,623)	$ 85,414
	Bond Fund	-	7,830	(401)	7,429
	Equity Index Fund	-	225,468	(241)	225,227
	Socially Responsible Fund	-	21,948	(561)	21,387
	Mid-Cap Equity Fund	-	17,125	(545)	16,580
	International Equity Fund	-	41,017	(718)	40,299
	Small-Cap Equity Fund	-	149,315	(3,605)	145,710
	Self-Directed Brokerage Option	123	-	-	123
	Other	160	-	-	160
	Totals	$ 89,320	$ 462,703	$ (9,694)	$ 542,329
	2003				
	Stable Income Fund	$ 90,454	$ -	$ (2,992)	$ 87,462
	Bond Fund	2,407	5,058	(340)	7,125
	Equity Index Fund	20,086	428,570	(530)	448,126
	Socially Responsible Fund	-	45,902	(476)	45,426
	Mid-Cap Equity Fund	-	12,657	(289)	12,368
	International Equity Fund	-	56,109	(588)	55,521
	Small-Cap Equity Fund	1,321	231,549	(2,743)	230,127
	Other	150	-	-	150
	Totals	$ 114,418	$ 779,845	$ (7,958)	$ 886,305
401(k) Plan	**2004**				
	Stable Income Fund	$ 3,031	$ -	$ (120)	$ 2,911
	Bond Fund	-	199	(13)	186
	Equity Index Fund	-	5,656	(8)	5,648
	Socially Responsible Fund	-	555	(19)	536
	Mid-Cap Equity Fund	-	434	(18)	416
	International Equity Fund	-	1,034	(24)	1,010
	Small-Cap Equity Fund	-	3,773	(121)	3,652
	Self-Directed Brokerage Option	5	-	-	5
	Other	7	-	-	7
	Totals	$ 3,043	$ 11,651	$ (323)	$ 14,371
	2003				
	Stable Income Fund	$ 1,170	$ -	$ (64)	$ 1,106
	Bond Fund	69	67	(7)	129
	Equity Index Fund	431	5,412	(11)	5,832
	Socially Responsible Fund	-	584	(10)	574
	Mid-Cap Equity Fund	-	162	(6)	156
	International Equity Fund	-	714	(13)	701
	Small-Cap Equity Fund	28	2,947	(59)	2,916
	Other	7	-	-	7
	Totals	$ 1,705	$ 9,886	$ (170)	$ 11,421

Note 3 - Securities Lending Transactions (In Thousands)

During 2003, the Board of Directors authorized the Plans to begin a securities lending program. The Plans have designated their master custodian bank to manage the securities lending program. This program is subject to a written contract between the Plans and the custodian who acts as security lending agent for the Plans. The custodian is authorized to lend securities within the borrower limits and guidelines established by the Plans. The custodian is authorized to invest the cash collateral in short-term investments that meet the same criteria used by the Plans.

The Plans lend securities to broker/dealers approved by the Plans for cash collateral of 102% of the fair market value of the underlying securities loaned where the collateral is denominated in the same currency as the loan securities; and 105% where the collateral is denominated in a currency that differs from the currency of the loaned securities. The lending agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent.

The Plans earn interest income in connection with securities lending and pay borrowers and the custodian a portion of the revenue. Gross fees earned in 2004 and 2003 by the 457 and 401(k) Plans amounted to $16,030 and $1,896, respectively. Borrowing rebates and custodial cost amounted to $13,697 and $285, respectively, in 2004 and $1,035 and $173, respectively, in 2003.

The following represents the combined balances relating to the securities lent at December 31, 2004 and 2003:

457 and 401(k) Plans

	2004		2003	
Securities Lent	**Fair Value of Underlying Securities**	**Cash Collateral Received**	**Fair Value of Underlying Securities**	**Cash Collateral Received**
	(In Thousands)		(In Thousands)	
U.S. Government and Agencies	$ 271,933	$ 276,864	$ 337,756	$ 343,462
U.S. Corporate Fixed Income	$ 42,270	$ 43,245	$ 34,111	$ 34,864
U.S. Equities	$ 933,704	$ 963,561	$ 222,250	$ 232,863
Non-U.S. Equities	$ 6,916	$ 7,278	$ 15,556	$ 16,229
	$ 1,254,823	$ 1,290,948	$ 609,673	$ 627,418

	2004	2003
Type of Collateral	**Collateral Investment Value**	**Collateral Investment Value**
	(In Thousands)	(In Thousands)
U.S. Government and Agencies	$ 777,687	$ 295,457
U.S. Corporate Obligations with Fixed/variable rates	$ 114,969	$ 50,980
Commercial Papers	$ 106,420	$ 34,908
Repurchase Agreements	$ 291,872	$ 246,073
	$ 1,290,948	$ 627,418

Note 4 - Commitments

Leases: The Plans share leased office space with the City of New York. The City allocates a portion of its rent to the Plans; such expense totaled $114,510 annually for 2004 and 2003.

The Plans' annual allocated share of future minimum lease payments for the years ending December 31, 2005 through December 31, 2010 will be $114,510.

Other: The Deferred Compensation Plan has a contractual obligation to pay the recordkeeper for additional specialized services, which are allowed under the contract. The obligation requires monthly payments of $22,331, including interest over a 60-month period. At December 31, 2004, a balance of approximately $601,000 remains outstanding.

Scheduled payments under the commitment at December 31, 2004 are as follows:

Years Ending December 31,	
2005	$ 191,000
2006	221,000
2007	189,000
	$ 601,000

Note 5 - Recordkeeping and Administrative Expenses

Expenditures for recordkeeping and administration are paid directly by the Plans.

Combining Schedules of Net Assets Available for Benefits
As of December 31, 2004, with Comparative Totals for 2003
(in thousands)

		Program Fund	Administration Fund	Total 2004	Total 2003
457 Plan	**Assets:**				
	Cash	$ -	$ 2,175	**$ 2,175**	$ 1,907
	Investments	6,031,994	-	**6,031,994**	5,237,029
	Securities lending collateral, invested	1,249,500	-	**1,249,500**	614,771
	Other assets	-	1,765	**1,765**	1,569
	Total assets	$ 7,281,494	$ 3,940	**$ 7,285,434**	$ 5,855,276
	Liabilities:				
	Accounts payable and accrued expenses	$ -	$ 1,451	**$ 1,451**	$ 1,192
	Securities lending collateral, due to borrowers	1,249,500	-	**1,249,500**	614,771
	Other	-	601	**601**	766
	Total liabilities	$ 1,249,500	$ 2,052	**$ 1,251,552**	$ 616,729
	Net assets available for benefits:				
	Assets available for program benefits	$ 6,031,994	$ -	**$ 6,031,994**	$ 5,237,029
	Designated for administration		$ 1,888	**1,888**	1,518
	Total net assets available for Plan benefits	$ 6,031,994	$ 1,888	**$ 6,033,882**	$ 5,238,547

		Program Fund	Administration Fund	Total 2004	Total 2003
401(k) Plan	**Assets:**				
	Cash	$ -	$ 41	**$ 41**	$ 106
	Investments	200,091	-	**200,091**	112,367
	Securities lending collateral, invested	41,448	-	**41,448**	12,647
	Other assets	-	2	**2**	34
	Total assets	$ 241,539	$ 43	**$ 241,582**	$ 125,154
	Liabilities				
	Accounts payable and accrued expenses	$ -	$ 27	**$ 27**	$ 21
	Securities lending collateral, due to borrowers	41,448	-	**41,448**	12,647
	Other	-	9	**9**	110
	Total liabilities	$ 41,448	$ 36	**$ 41,484**	$ 12,778
	Net assets available for benefits:				
	Assets available for program benefits	$ 200,091	$ -	**$ 200,091**	$ 112,367
	Designated for administration	$ -	7	**7**	9
	Total net assets available for Plan benefits	$ 200,091	$ 7	**$ 200,098**	$ 112,376

Schedules of Cash Receipts and Disbursements
For the Years Ended December 31, 2004 and 2003
(in thousands)

	457 Plan		401(k) Plan	
	2004	2003	**2004**	2003
Cash - beginning of year	**$ 1,907**	$ 2,135	**$ 106**	$ 38
Receipts				
Employee contributions	**$ 495,729**	$ 492,211	**$ 76,755**	$ 66,091
Investment withdrawals for distribution	**236,081**	205,956	**3,245**	1,016
Securities lending interest income	**15,587**	1,896	**-**	-
Miscellaneous income	**1,693**	1,226	**2**	7
Total cash receipts	**$ 749,090**	$ 701,289	**$ 80,002**	$ 67,114
Disbursements				
Distributions to participants	**$ 236,081**	$ 205,956	**$ 3,245**	$ 1,016
Investment purchases	**490,330**	486,820	**76,618**	65,743
Administrative expenditures	**8,815**	7,533	**204**	287
Securities lending fees	**13,596**	1,208	**-**	-
Total cash disbursements	**$ 748,822**	$ 701,517	**$ 80,067**	$ 67,046
Cash - end of year	**$ 2,175**	$ 1,907	**$ 41**	$ 106

Schedules of Administrative Expenses, Custodial, and Recordkeeping Fees
For the Years Ended December 31, 2004 and 2003
(in thousands)

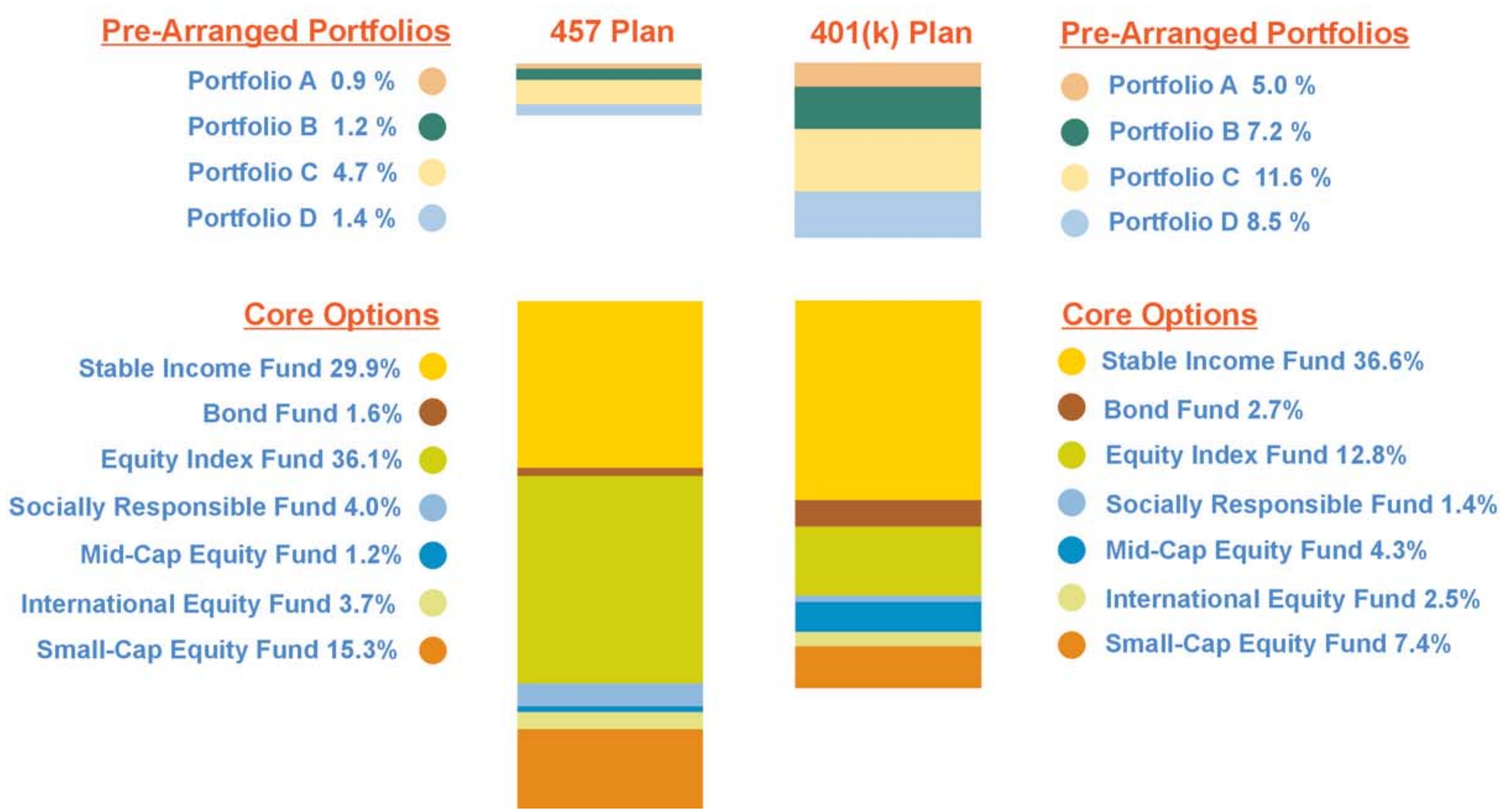
	457 Plan		401(k) Plan	
	2004	2003	**2004**	2003
Salaries	**$ 498**	$ 426	**$ 16**	$ 7
Communication expenses	**965**	1,210	**10**	10
Auditing and advisory fees	**548**	421	**41**	28
Reimbursement to the City of New York for overhead	**400**	386	**12**	7
Administrative support	**1,713**	1,522	**27**	27
Recordkeeping fees	**4,050**	3,459	**94**	223
Custodial fees	**715**	584	**23**	13
Total expenses	**$ 8,889**	$ 8,008	**$ 223**	$ 315

Asset Allocation of the Plan

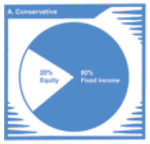
The City of New York Deferred Compensation Plan is an “unbundled” program, where both the recordkeeper and the custodian are independent from the Plan’s investment managers. As a result, each Plan investment contract is competitively bid according to New York City and State regulations and awarded to the manager with the best combination of investment experience, performance history and management fees. By the end of 2004, the combined assets of the eleven investment options offered to participants exceeded $ 6.2 billion.

The performance figures were prepared in accordance with the Association for Investment Management and Research (AIMR) standards.

Prepared by: Georgette Gestely and Joan Barrow



The Deferred Compensation Plan's four pre-arranged portfolios range from conservative to aggressive, representing a diversified mix of the Plan's core investment options. The four portfolios were designed by the Plan's consultants to fall along the efficient frontier. As such, they have risk/return characteristics superior to those of any single purpose fund.

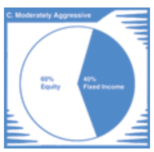


Portfolio A - Conservative

Pre-arranged portfolio A is the conservatively managed portfolio. Portfolio A consists of 20% equity funds and 80% fixed-income funds. 12.5% is invested in the Equity Index Fund, 7.5% in the International Equity Fund, 65% in the Stable Income Fund and 15% in the Bond Fund.

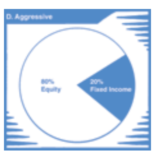
Portfolio B - Moderately Conservative

Pre-arranged portfolio B is the moderately conservative portfolio. Portfolio B consists of 40% equity funds and 60% fixed income vehicles. 17.5% is in the Equity Index Fund, 7.5% is in the Mid-Cap Equity Fund, 10% is in the International Equity Fund, 5% is in the Small-Cap Equity Fund, 45% is in the Stable Income Fund and 15% is in the Bond Fund.



Portfolio C - Moderately Aggressive

Pre-arranged portfolio C is the moderately aggressive portfolio. The fund invests 60% in equities and 40% in fixed income vehicles. The breakdown is 30% Equity Index Fund, 7.5% Mid-Cap Equity Fund, 15% International Equity Fund, 7.5% Small-Cap Equity Fund, 25% Stable Income Fund and 15% Bond Fund.



Portfolio D - Aggressive

Pre-arranged portfolio D is the aggressively managed portfolio. The fund invests 80% in equities and 20% in fixed-income vehicles. 40% is in the Equity Index Fund, 10% in the Mid-Cap Equity Fund, 20% in the International Equity Fund, 10% in the Small Cap Equity Fund, 10% in the Stable Income Fund and 10% in the Bond Fund.

The Deferred Compensation Plan will convert the above risk-based portfolios to time-based portfolios in mid 2005. Unlike a risk-based portfolio, a time-based portfolio is periodically rebalanced automatically to lower its equity exposure as it nears the participant's payout date.

Stable Income Fund

The investment objective of the Stable Income Fund is to conserve principal and to provide interest income through investment in a professionally managed portfolio of traditional guaranteed investment contracts (GICs) and synthetic stable value investments. The fund is structured to gradually track the general level of interest rates and reduce the impact of interest rate volatility. Investments held in this portfolio are limited to those issuers which meet stringent criteria with respect to diversification and credit quality. Investment return is from interest income. Effective January 1, 2004, Fiduciary Capital Management became the manager for both the traditional GIC portfolio and the buy and hold synthetic GIC portfolio. The actively managed synthetic GIC portfolios within the Stable Income Fund are managed by NISA Investment Advisors, Pacific Investment Management Company, Wellington Management Company, Smith Breeden Associates and BlackRock Financial Management. The actively managed synthetic GIC portfolios and the buy and hold portfolio are wrapped with a global book value guarantee provided by Commonwealth General Corporation, JPMorgan Chase, State Street Bank and Trust Company and AIG Financial Products Corporation.

Stable Income Fund Portfolio

Security Description	Crediting	Maturity	Total Assets (in thousands)
Stable Value Fund			
Wells Fargo Stable Return Fund	4.26%	N/A	$312,347
Total Stable Value Fund			*$312,347*
GICs			
Aegon	3.74%	03/31/10	$10,669
Aegon	3.82%	02/28/09	10,719
Aegon	6.00%	07/31/07	8,218
Aegon	7.89%	03/31/05	4,603
Aegon	4.47%	08/31/09	10,258
Aegon	4.75%	04/30/10	4,606
CIGNA Life Insurance Company	8.00%	01/31/05	9,248
GE Capital Assurance	3.35%	01/31/09	10,302
GE Capital Assurance	3.40%	11/30/08	6,047
GE Capital Assurance	4.00%	02/28/10	7,390
GE Capital Assurance	4.02%	04/30/10	9,231
GE Capital Assurance	4.19%	02/28/10	14,541
Hartford Life Insurance Company	6.00%	06/30/09	11,738
Hartford Life Insurance Company	5.22%	12/28/07	11,362
Hartford Life Insurance Company	3.84%	02/26/08	10,721
Hartford Life Insurance Company	3.25%	06/30/08	10,493
Hartford Life Insurance Company	4.04%	08/12/08	10,564
ING	5.62%	02/02/09	11,625
ING	4.35%	06/10/08	10,918
ING	4.25%	06/20/08	10,884
ING	3.70%	03/28/08	10,662
ING	3.77%	07/24/08	10,549
ING	3.84%	06/01/10	5,048
Jackson National Life Insurance Company	5.93%	07/31/09	11,719
Jackson National Life Insurance Company	3.43%	12/31/08	6,033
John Hancock Life Insurance Company	3.71%	03/21/08	10,668
John Hancock Life Insurance Company	3.92%	08/12/08	10,549
John Hancock Life Insurance Company	3.50%	07/18/08	10,510
John Hancock Life Insurance Company	4.18%	060/6/08	10,882
Metropolitan Life	4.00%	07/31/09	10,721
Metropolitan Life	3.88%	11/30/09	10,565
Metropolitan Life	3.93%	12/31/09	10,704
Metropolitan Life	3.15%	12/31/09	10,478
Metropolitan Life	3.82%	11/30/09	10,719
New York Life Insurance Company	5.85%	06/01/09	11,695
New York Life Insurance Company	5.05%	04/30/09	11,318
GICs (continued)			
New York Life Insurance Company	4.10%	12/31/07	10,852
New York Life Insurance Company	3.20%	06/30/08	10,486
New York Life Insurance Company	3.31%	01/31/09	13,389
Ohio National	4.02%	01/31/10	6,159
Ohio National	3.86%	05/31/10	4,038
Principal Life Insurance Company	4.33%	08/25/08	10,590
Principal Life Insurance Company	2.74%	04/30/09	14,309
Principal Life Insurance Company	3.65%	09/29/09	8,213
Principal Life Insurance Company	4.60%	01/31/10	5,626
Principal Life Insurance Company	4.24%	03/31/10	9,465
Principal Life Insurance Company	3.80%	10/31/09	9,619
Prudential Life Insurance Company	5.98%	06/30/07	11,734
Prudential Life Insurance Company	5.21%	09/30/07	11,361
Prudential Life Insurance Company	4.25%	03/18/08	10,884
Prudential Life Insurance Company	4.41%	03/21/09	10,601
Prudential Life Insurance Company	3.78%	09/30/08	10,477
Travelers Life Insurance Company	5.89%	03/31/07	11,707
Travelers Life Insurance Company	4.15%	012/6/07	10,879
Travelers Life Insurance Company	3.90%	10/22/07	7,541
Travelers Life Insurance Company	3.61%	07/22/08	10,526
Travelers Life Insurance Company	3.38%	11/30/08	10,305
United of Omaha	4.12%	09/30/09	5,052
United of Omaha	4.10%	10/30/09	3,542
Total GICs			*$574,295*

Book Value Wrap Providers for Actively Managed and Buy & Hold Portfolios	Crediting	Maturity	Total Assets (in thousands)
AIG Financial Products Corporation	5.08%	N/A	$213,257
Commonwealth General Corporation	5.08%	N/A	213,257
JP Morgan Chase	5.08%	N/A	335,972
State Street Bank and Trust Company	5.08%	N/A	373,199
Sub-Total			*$1,135,685*
Total 457 and 401(k) Balance			*$2,036,175*

Bond Fund

The Plan offers participants a separate account Bond Fund managed by Pacific Investment Management Company (PIMCO) which mirrors the management style employed by the PIMCO Total Return Fund. The average maturity is seven years and the duration has averaged five years. The fund invests in a well-diversified portfolio of fixed-income securities, including non-investment grade and non-US dollar denominated securities. The fund will maintain an average credit quality of “A” or better and no investments will be made in securities rated below “B”. Average credit quality is currently “AA+”. This option, which is slightly riskier than the Stable Income Fund, should provide a positive return, which will outpace inflation over the long term.

Equity Index Fund

The Equity Index Fund seeks to replicate the performance of the Standard & Poor’s 500 Composite Stock Price Index (“S&P 500 Index”) by investing in all 500 stocks listed in the S&P 500 Index in approximately the same proportions as they are represented in the index. Until March 1, 2004, the Equity Index Fund was invested in the Vanguard Institutional Index Plus Fund, a mutual fund available only to institutional investors. Management of the Equity Index Fund was transferred to The Bank of New York. The Equity Index Fund offers participants exposure to the stocks of large corporations through a passive investment vehicle. Over time, the S&P 500 Index is expected to provide returns in excess of both inflation and fixed income funds.

Socially Responsible Fund

The Socially Responsible Fund invests 100% of assets in the stocks of companies which display good corporate citizenship, while excluding companies that do not pass social and environmental screens. Domini Social Investments is managing this fund as a passive separate account benchmarked to the S&P 500 Index. The Socially Responsible Fund option is expected to generate capital appreciation at a rate in excess of inflation over the long term.

Mid-Cap Equity Fund

The Mid-Cap Equity Fund invests in the stock of medium-sized companies with market capitalizations generally between $500 million and $15.0 billion. The fund is managed by value manager Lord Abbett & Co. and growth manager RCM Capital Management, LLC (formally known as Dresdner RCM Global Investors). It is a blended fund benchmarked to the Russel MidCap Index. Over longer time periods, mid-cap equity funds have provided substantial returns above inflation.

International Equity Fund

The International Equity Fund invests in companies that are not based in the United States and whose stocks show good prospects for appreciation. The fund seeks to provide long-term growth of capital, with investments primarily made in middle- to large-capitalization stocks in developed countries. Due to a relatively low correlation between the foreign and domestic equity markets, the International Equity Fund provides diversification. There is, however, major fluctuation as this fund is invested across the world and each market has its own currency changes and stock market movements. The fund is a blended fund which, as of December 31, 2004, is managed by core manager Alliance Capital Management, L.P., value-style Mondrian Investment Partners (formerly known as Delaware International Advisers, Ltd), and growth-style New Star Institutional Managers, Ltd.

Small-Cap Equity Fund

The Small-Cap Equity Fund seeks long-term growth of capital by investing primarily in the common stocks of small, rapidly growing companies which are believed to have good prospects for capital appreciation. The fund’s management concentrates on companies that may offer accelerating earnings growth because of new management, new products, or structural changes in the economy. Generally, the companies in the Small-Cap Equity Fund have a market capitalization between $100 million and $5.0 billion. Small-cap stocks offer the opportunity for greater long-term capital appreciation. In the short-term, however, there may be substantial fluctuations in the unit price. At December 31, 2004, the blended Small Cap Equity Fund was comprised of four investment managers: value manager Ariel Capital Management, Inc., growth manager T. Rowe Price Associates, Inc., core manager Wellington Management Company, LLP, and index fund manager The Bank of New York.

Self-Directed Brokerage Option

The Self-Directed Brokerage (SDB) option allows participants with account balances of at least $5,000 to invest in any of over 9,500 mutual funds, including over 850 no-load/no-transaction fee funds, which are outside of the Deferred Compensation Plan’s investment fund line-up. The SDB is for knowledgeable investors who acknowledge and understand the risks associate with many of the investments contained in the SDB option. The SDB is available through HarrisDirect.

Investment Summary for the 457 Plan

Type of Investment		Fair Value (in thousands)	Date	Percent of Fair Market Value
Stable Income Fund	$	1,804,374	12/31/04	29.9%
Bond Fund		97,972	12/31/04	1.6%
Equity Index Fund		2,175,158	12/31/04	36.1%
Socially Responsible Fund		239,609	12/31/04	4.0%
Mid-Cap Equity Fund		75,405	12/31/04	1.2%
International Equity Fund		225,581	12/31/04	3.7%
Small-Cap Equity Fund		921,870	12/31/04	15.3%
Portfolio A		53,651	12/31/04	0.9%
Portfolio B		70,107	12/31/04	1.2%
Portfolio C		281,874	12/31/04	4.7%
Portfolio D		84,739	12/31/04	1.4%
Self-Directed Brokerage Option		1,656	12/31/04	-
Total	**$**	**6,031,996**		**100%**

Investment Summary for the 401(k) Plan

Type of Investment		Fair Value (in thousands)	Date	Percent of Fair Market Value
Stable Income Fund	$	73,163	12/31/04	36.6%
Bond Fund		5,297	12/31/04	2.7%
Equity Index Fund		25,598	12/31/04	12.8%
Socially Responsible Fund		2,873	12/31/04	1.4%
Mid-Cap Equity Fund		8,685	12/31/04	4.3%
International Equity Fund		4,968	12/31/04	2.5%
Small-Cap Equity Fund		14,774	12/31/04	7.4%
Portfolio A		10,018	12/31/04	5.0%
Portfolio B		14,355	12/31/04	7.2%
Portfolio C		23,299	12/31/04	11.6%
Portfolio D		17,000	12/31/04	8.5%
Self-Directed Brokerage Option		63	12/31/04	-
Total	**$**	**200,093**		**100%**

Commission Recapture Summary for the 457 and 401(k) Plans for 2004

In accordance with the Plans' ongoing effort to reduce expenses, in 2004, the Plan initiated a commission recapture program. The commission recapture program sets goals for each of the Plans' eligible investment managers to perform a certain percentage of their trades with Plan-selected brokers, who return a portion of their commissions to the Plans. The chart below provides a summary of commission recapture activity for 2004.

Recapture Broker	Shares Traded		Total Commissions		Total Commission Per Share		Commissions Received	Percentage of Total Commissions
Abel Noser	647,514	$	14,827	$	.02	$	8,421	56.79%
BNY Brokerage	1,016,353	$	23,990	$	.02	$	16,604	69.21%
CAPIS	1,866,746	$	66,881	$	.04	$	44,196	66.08%
Donaldson & Co.	2,294,727	$	74,146	$	.03	$	54,890	74.03%
Frank Russell	2,959,726	$	123,072	$	.04	$	87,755	71.30%
Lynch, Jones & Ryan	2,504,482	$	73,040	$	.03	$	46,616	63.82%
Magna Securities	146,814	$	3,013	$	.02	$	-	- %
Merrill Lynch/Citation Group	194,764	$	5,990	$	.03	$	4,155	63.37%
Total	**11,631,126**	**$**	**384,958**	**$**	**.03**	**$**	**262,637**	**68.22%**

Table prepared by Milliman, USA

City of New York Deferred Compensation Plan Performance Summary for One-, Three-, and Five-Year Periods Ended December 31, 2004

		Annualized Returns 1-YR	3-YR	5-YR	Expense Ratio
Fund name:	***Stable Income Fund***	**4.7%**	**5.2%**	**5.6%**	**0.20%**
Market benchmark:	Lehman Brothers 1-3 Yr Treasury	0.9%	2.9%	5.0%	
Fund name:	***Bond Fund***	**5.1%**	**6.2%**	**7.5%**	**0.28%**
Market benchmarks:	80% Lehman Aggregate/10% Merrill Lynch High Yield/10% Salomon Non-US Government Bond	5.1%	6.6%	7.5%	
Fund name:	***Equity Index Fund***	**10.9%**	**3.6%**	**(2.3)%**	**0.04%**
Market benchmark:	S&P 500 Index	10.9%	3.6%	(2.3)%	
Fund name:	***Socially Responsible Fund***	**10.1%**	**4.0%**	**(5.5)%**	**0.29%**
Market benchmark:	S&P 500 Index	10.9%	3.6%	(2.3)%	
Fund name:	***Mid-Cap Equity Fund***	**19.4%**	**1.0%**	**(8.6)%**	**0.64%**
Market benchmark:	Russell MidCap Index	20.2%	12.2%	7.6%	
Fund name:	***International Equity Fund***	**16.4%**	**8.6%**	**(3.4)%**	**0.59%**
Market benchmark:	Morgan Stanley Capital International EAFE Index	20.7%	12.3%	(0.8)%	
Fund name:	***Small-Cap Equity Fund***	**18.5%**	**8.6%**	**4.1%**	**0.49%**
Market benchmark:	Russell 2000 Index	18.3%	11.5%	6.6%	
Fund name:	***Pre-Arranged Portfolios:***				
	Portfolio A - Conservative	**6.4%**	**5.7%**	**NA**	**0.22%**
Custom benchmark:	Conservative benchmark[1]	7.4%	6.0%		
	Portfolio B - Moderately Conservative	**8.8%**	**5.8%**	**NA**	**0.27%**
Custom benchmark:	Moderately conservative benchmark[2]	9.7%	7.1%		
	Portfolio C - Moderately Aggressive	**10.6%**	**5.9%**	**NA**	**0.28%**
Custom benchmark:	Moderately aggressive benchmark[3]	11.3%	7.4%		
	Portfolio D - Aggressive	**12.4%**	**5.7%**	**NA**	**0.30%**
Custom benchmark:	Aggressive benchmark[4]	13.3%	7.7%		

1. Conservative benchmark: 12.5% S&P 500, 7.5% MSCI EAFE Index, 65% CPI + 2.5%, 15% Lehman Aggregate Index.
2. Moderately conservative benchmark: 17.5% S&P 500, 7.5% Russell MidCap Index, 10% MSCI EAFE Index, 5% Russell 2000 Index, 45% CPI + 2.5%, 15% Lehman Aggregate Index.
3. Moderately aggressive benchmark: 30% S&P 500, 7.5% Russell MidCap Index, 15% MSCI EAFE Index, 7.5% Russell 2000 Index, 25% CPI + 2.5%, 15% Lehman Aggregate Index.
4. Aggressive benchmark: 40% S&P 500, 10% Russell MidCap Index, 20% MSCI EAFE Index, 10% Russell 2000 Index, 10% CPI + 2.5%, 10% Lehman Aggregate Index.

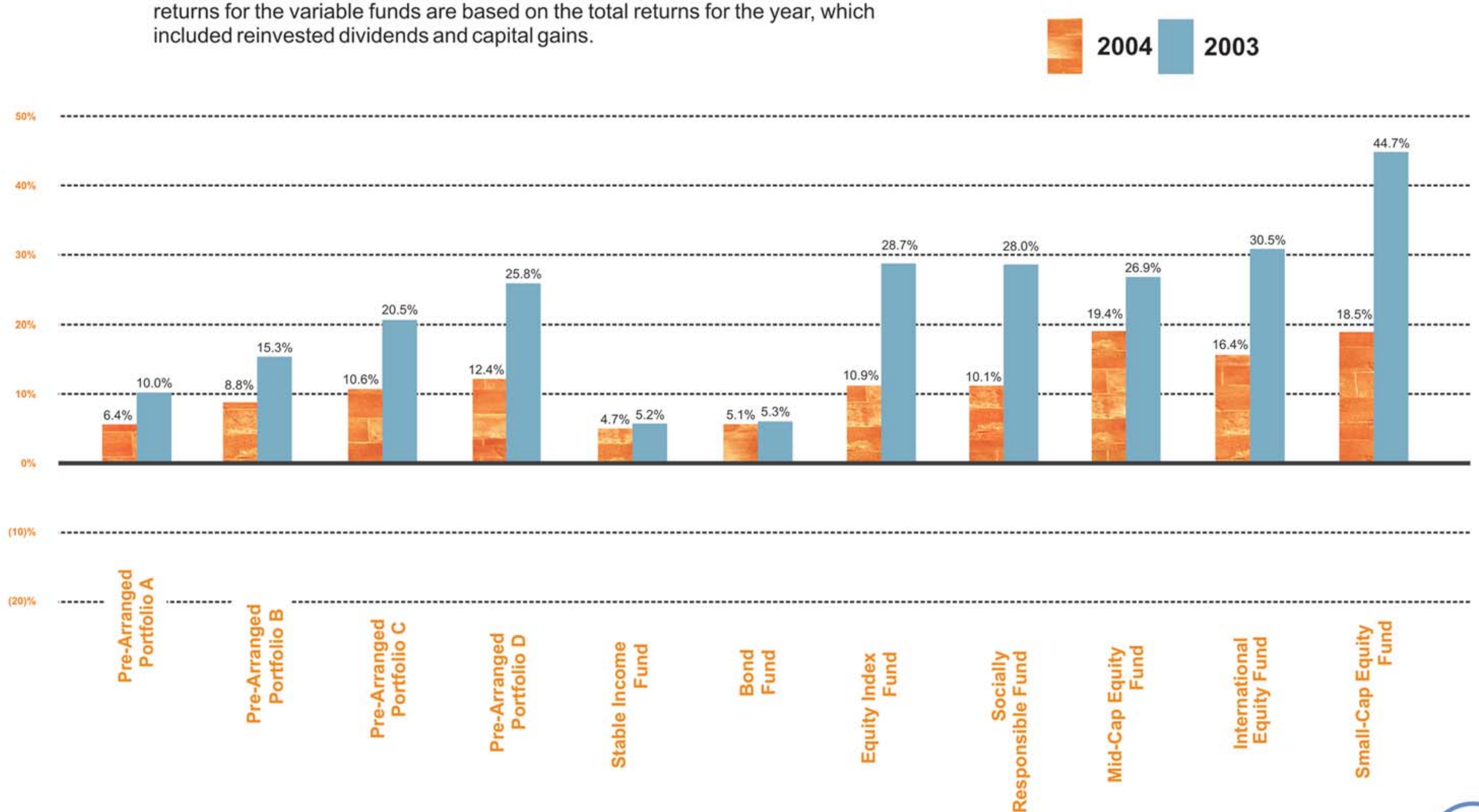
Source: Milliman USA. Returns were calculated using industry standard "modified time weighted methodology".

Note: Past investment returns are no guarantee of future returns and should not be relied upon as a sole source for investment decision-making. All returns shown are net of fees.

Plan Performance by Fund

Actual Performance 2004 & 2003

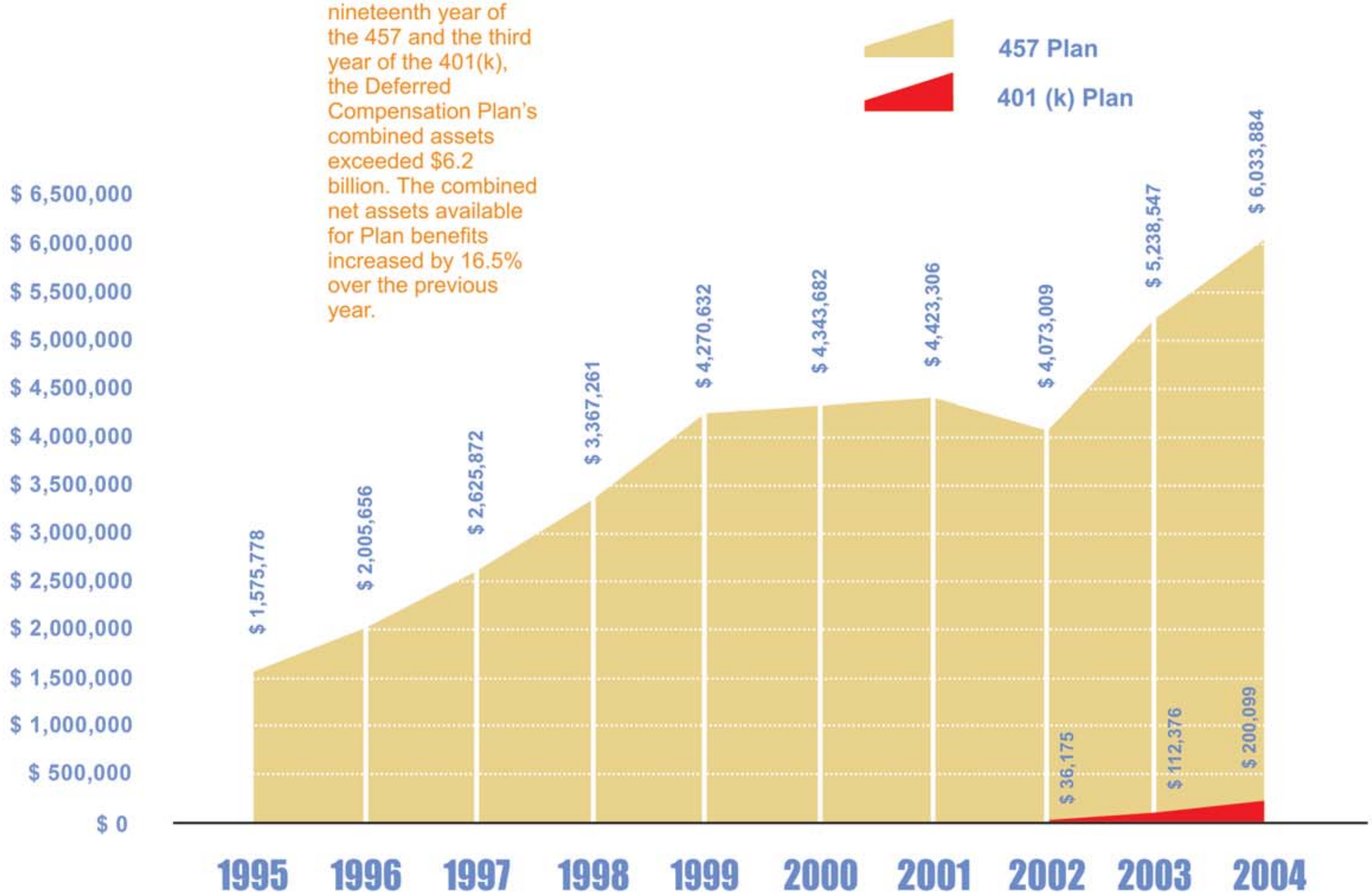
For each of the funds, actual participant returns varied depending upon the timing, the amount contributed and distributions from the funds. The overall returns for the variable funds are based on the total returns for the year, which included reinvested dividends and capital gains.



Net Assets Available for Plan Benefits

From 1995 to 2004 (in thousands)

In 2004, the nineteenth year of the 457 and the third year of the 401(k), the Deferred Compensation Plan's combined assets exceeded $6.2 billion. The combined net assets available for Plan benefits increased by 16.5% over the previous year.



Additions (Deductions) to Assets by Type (in thousands)

Year Ended	Contributions	Stable Value Income	Net Gains (Losses) on Variable Investments	Total
457 Plan from 1995 to 2004				
1995	$ 227,855	$ 45,415	$ 183,344	$ 456,614
1996	256,497	47,311	182,803	486,611
1997	284,991	49,805	350,353	685,149
1998	340,015	55,408	422,615	818,038
1999	386,063	60,021	546,127	992,211
2000	423,796	65,927	(310,832)	178,891
2001	457,357	71,474	(329,204)	199,627
2002	496,153	84,705	(680,873)	(100,015)
2003	494,380	87,612	798,693	1,380,685
2004	**$ 511,569**	**$ 85,574**	**$ 456,755**	**$ 1,053,898**
401(k) Plan from 2002 to 2004				
2002	$ 36,952	$ 101	$ (430)	$ 36,623
2003	$ 66,136	$ 1,113	$ 10,308	$ 77,557
2004	**$ 77,208**	**$ 2,918**	**$ 11,453**	**$ 91,579**

Deductions from Assets by Type (in thousands)

Year Ended	Contributions to Participants	Administrative Expenses	Total
457 Plan from 1995 to 2004			
1995	$ 48,292	$ 3,380	$ 51,672
1996	53,109	3,624	56,733
1997	61,226	3,707	64,933
1998	72,734	3,915	76,649
1999	84,255	4,585	88,840
2000	100,746	5,095	105,841
2001	113,885	6,118	120,003
2002	243,316	6,966	250,282
2003	205,956	9,191	215,147
2004	**$ 236,081**	**$ 22,480**	**$ 258,561**
401(k) Plan from 2002 to 2004			
2002	$ 166	$ 282	$ 448
2003	$ 1,016	$ 340	$ 1,356
2004	**$ 3,245**	**$ 611**	**$ 3,856**

Employee Participation and Deferral Trends

Year Ended	Number of Participants	Average Annual Deferrals Per Participant (in thousands)	Total Annual Deferrals (in thousands)	Net Assets Available for Benefits (in thousands)
457 Plan from 1995 to 2004				
1995	68,261	$ 3	$ 227,855	$ 1,575,778
1996	76,246	3	256,497	2,005,656
1997	83,977	3	284,923	2,625,872
1998	91,208	4	339,689	3,367,261
1999	98,991	4	385,691	4,270,632
2000	106,265	4	423,004	4,343,682
2001	108,703	5	456,688	4,423,306
2002	107,822	5	495,610	4,073,009
2003	106,866	5	492,211	5,238,547
2004	**107,652**	**$ 5**	**$ 495,729**	**$ 6,033,884**
401(k) Plan from 2002 to 2004				
2002	5,189	$ 7	$ 36,952	$ 36,175
2003	7,992	$ 8	$ 66,091	$ 112,376
2004	**10,879**	**$ 7**	**$ 76,755**	**$ 200,099**

Summary of Administrative Revenues and Expenses from 1995 to 2004 (in thousands)

	1995	1996	1997	1998	1999
	457				
Revenues [(1)]	$3,265	$3,669	$4,148	$4,197	$4,825
Expenses					
Salaries	$592	$609	$446	$323	$385
Communications	183	124	125	506	636
Auditing and Advisory Fees	111	148	143	173	238
Reimbursement to the City of New York for overhead	160	167	178	250	233
Administrative support	496	337	373	425	422
Recordkeeping fees	1,838	2,239	2,442	2,238	2,671
Custodian fees	-	-	-	-	-
Total Expenses	$3,380	$3,624	$3,707	$3,915	$4,585

(1) Revenues include the annual administrative fees collected from participants, communications rebates from mutual funds (1997-2003) and interest earned on assets held in the Plan's custodial account (beginning in 1999) and amounts deducted from the net asset values (beginning in 2002) and Securities Lending and Commission Recapture (beginning in 2003).

Administrative fees:

$44.00 from 7/1/89-6/30/94;
$50.00 from 7/1/94-12/31/97;
$43.81 from 1/1/98-12/31/98;
$44.44 from 1/1/99-12/31/99;
$45.03 from 1/1/00- 12/31/00;
$50.00 from 1/1/01-12/31/04.

2000	2001	2002		2003		2004	
457		457	401(k)	457	401(k)	457	401(k)
$5,733	$6,412	$6,555	$197	$7,566	$394	$9,442	$251
$425	$554	$484	$3	$426	$7	$498	$16
558	1,492	1,189	-	1,210	10	965	10
374	360	393	130	421	28	548	41
240	243	339	1	386	7	400	12
491	975	1,377	32	1,522	27	1,711	29
3,007	2,494	3,184	116	3,459	223	4,050	94
-	-	-	-	584	13	715	20
$5,095	$6,118	$6,966	$282	$8,008	$315	$8,887	$222

Credits:

Concept & Design, Alexander Khlupin

Layout, Marilyn Cuya

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