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MEMORANDUM

TO: Trustees
New York City Police Pension Fund

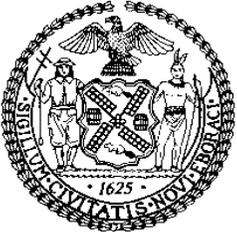
FROM: Seema R. Hingorani

DATE: January 28, 2014

RE: New York City Police Pension Fund Investment Meeting –
February 4, 2014

Enclosed is a copy of the **public agenda** for the Tuesday, February 4, 2014 Investment Meeting. The meeting will be held at the Police Pension Fund, 233 Broadway – 25th Floor; beginning at 10:00am.

If you have questions about any agenda item, please give me a call at 212-669-3679.



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Scott M. Stringer
COMPTROLLER

NEW YORK CITY POLICE PENSION FUND

INVESTMENT MEETING

February 4, 2014

NEW YORK CITY POLICE PENSION FUND

INVESTMENT MEETING

FEBRUARY 4, 2014

PUBLIC AGENDA

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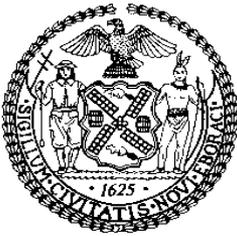
PUBLIC AGENDA

I. December Monthly Performance Review (**Handout**):

II. REIT IPS:



IPS Amendment



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER

February 2014

Addition of REITs Language for IPS

- The purpose of this amendment is to update the IPS to reflect the addition of REITs as a parking place
- Current asset allocation approved in July 2011
- REITs were recommended/approved as part of rebalancing decision in December 2011 to manage the unfunded commitments in Real Assets
- In June 2012, \$125 million was invested in a global passive strategy currently managed by State Street Global Advisors
- Index/Benchmark: FTSE EPRA/NAREIT Developed Liquidity Real Estate Securities Index
- As of Nov. 30, 2013, the market value of the Police investment in REITs is \$150.7 million

Proposed Language

Definition and Purpose

The Real Estate Equity Securities (REES) program is dedicated to equity and convertible securities of real estate companies which is defined as: (i) real estate investment trusts organized under the laws of any state of the United States ("REITS") or under the laws of a developed market non-U.S. country; or (ii) entities organized under the laws of any state of the United States, province of Canada, or developed market non-U.S. country that, directly or indirectly, are self-managed real estate operating companies ("REOCs"), that at the time of purchase: (x) derive at least 50% of their revenue or profits from the ownership, construction, management, financing or sale of residential, commercial or industrial real estate, or (y) have at least 50% of the fair market value of their assets invested in residential, commercial or industrial real estate.

Philosophy and Strategy

The REES program is structured to capture exposure to the REIT and REOC markets as represented by the FTSE EPRA/NAREIT Developed Liquid Real Estate Securities Index. The REES program is a global portfolio which is diversified across property types and sectors, geographical regions, and other appropriate investment characteristics. Therefore, equity securities of developed market non-U.S. real estate companies will be purchased in the REES program.

The REES program is created to effectuate a re-balancing recommendation approved by the Board as a management tool to temporarily invest 0-50% of the unfunded Real Assets commitment to Equities (including REITs).

Historically, over long periods of time, managers of real estate securities have outperformed the relevant indices, adjusted for risk and fees. However, given the relatively small size of this REES program, the Board will typically allocate the entire REES portfolio to passive or enhanced index managers.

Use of External Managers

The REES program is implemented through the use of external Managers. Managers shall be banks, insurance companies, or investment management companies, or investment advisers as defined by the Registered Investment Advisers Act of 1940. Managers are selected in compliance with a competitive RFP process designed to identify Managers with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by BAM pursuant to the Board's mandate. The guidelines outline the Manager's individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. Managers are monitored through the Watch List process.

Proxy Voting

The Board retains proxy voting rights for the domestic securities in the REES program, which are exercised by BAM in accordance with the NYCPPF Proxy Voting Policy. International securities held in the REES program are voted by the Managers; similar to the process for the EAFE and Emerging Markets equities programs. Managers are generally required to cast votes according to the Funds' Global Proxy Voting Guidelines, but certain contracts may permit that the Manager cast votes according to its own proxy voting guidelines.

Asset Class Objectives

The Portfolio is expected to achieve an annualized total rate of return over the evaluation period that tracks the total rate of return of the FTSE EPRA/NAREIT Developed Liquid Index, net of withholding tax, gross of fees and expenses. Individual manager performance will be evaluated quarterly, annually, and over a full market cycle (typically 3-5 years).

Liquidity

The REES program is generally not a source of liquidity for the Fund, although benefits may be paid out of the portfolio as required. Managers are expected to be fully invested and are limited to a maximum of 2% cash for trading purposes. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain other eligible system expenses, or as otherwise appropriate for rebalancing purposes.

APPENDICES:

Basket Clause

Police- BASKET/NON BASKET SUMMARY

As of November 30th, 2013	Adjusted Fund Policy			Fund Actual (PE & RE on an invested basis)		
<u>Equity</u>	Non Basket*	Basket*	Total	Non Basket*	Basket*	Total
Domestic Equity	36.4%	0.0%	36.4%	40.6%	0.0%	40.6%
Non-U.S. Equity	10.0%	6.1%	16.1%	10.0%	6.6%	16.6%
Private Equity	0.0%	6.5%	6.5%	0.0%	6.5%	6.5%
Real Estate	3.3%	0.0%	3.3%	3.3%	0.0%	3.3%
REITS	0.2%	0.2%	0.5%	0.2%	0.2%	0.5%
Hedge Funds	0.0%	3.2%	3.2%	0.0%	3.2%	3.2%
Total Equity	49.9%	16.0%	65.9%	54.1%	16.4%	70.5%
Fixed Income						
Core+5	19.8%	0.5%	20.3%	16.0%	0.5%	16.5%
<i>U.S. Gov't Sector</i>	3.6%	0.0%	3.6%	2.4%	0.0%	2.4%
<i>Mortgage Sector</i>	8.0%	0.0%	8.0%	6.6%	0.0%	6.6%
<i>Credit Sector</i>	8.2%	0.5%	8.7%	6.7%	0.5%	7.2%
High Yield	5.0%	0.6%	5.6%	3.6%	0.4%	4.0%
Bank Loans	0.0%	0.0%	0.0%	0.0%	1.7%	1.7%
TIPS	4.8%	0.5%	5.4%	2.6%	0.3%	2.9%
Convertibles	1.0%	0.0%	1.0%	0.6%	0.0%	0.6%
Opportunistic	0.0%	1.8%	1.8%	0.0%	1.8%	1.8%
Other Fixed Income	0.0%	0.0%	0.0%	1.9%	0.0%	1.9%
Total Fixed Income	30.7%	3.4%	34.1%	24.8%	4.7%	29.5%
Total Fund	80.6%	19.4%	100.0%	78.9%	21.1%	100.0%
Remaining Capacity		5.6%			3.9%	

* Note: Basket amounts are estimates

Liquidity Analysis

Police Liquidity Profile - Static Analysis

1/6/14

AUM as of November 30, 2013

	Current MV	Liquid Assets		
		Today	1 Year	2 Years
Domestic Equity	\$12,905	\$12,905	\$12,905	\$12,905
International Equity	3,333	3,333	3,333	3,333
Emerging Markets	1,917	1,917	1,917	1,917
Hedge Funds	1,006	0	793	989
REITS	151	151	151	151
Private Equity	2,052	0	0	0
Private Real Estate	1,045	0	0	0
Core + 5	5,265	5,265	5,265	5,265
TIPS	930	930	930	930
Opportunistic Fixed Income	580	435	580	580
Enhanced Yield	1,261	1,261	1,261	1,261
Bank Loans	531	531	531	531
Convertible Bonds	196	196	196	196
ETI	275	38	152	158
Cash	337	337	337	337
Total Assets	\$31,785	\$27,299	\$28,351	\$28,552
Total Illiquid \$		\$4,486	\$3,433	\$3,232
Total Illiquid %		14.1%	10.8%	10.2%
Unfunded PE Commitments	\$1,344			
Unfunded RE Commitments	306			
Unfunded OFI Commitments	346			
Total commitments \$	\$1,996			
Total commitments %	6.3%			

Police Liquidity Profile - Static Analysis

1/6/14

AUM as of November 30, 2013

Denominator Effect - Decrease AUM by One-Third

Total Illiquid \$	\$4,486	\$3,433	\$3,232
Total Illiquid %	21.2%	16.2%	15.3%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids

	Current MV	Liquid Assets		
		Today	1 Year	2 Years
Total Assets	\$31,785	\$27,299	\$28,351	\$28,552

Private Equity, Real Estate and Opportunistic Fixed Income Stress Case

Unfunded PE Commitments Drawn		\$269	\$538
Unfunded RE Commitments Drawn		61	122
Unfunded OFI Commitments Drawn		173	0
Total commitments \$		\$503	\$660
Total commitments %		1.6%	2.1%

Total Illiquid \$		\$3,936	\$3,892
Total Illiquid %		12.4%	12.2%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids

Denominator Effect - Decrease AUM by One-Third

Total Illiquid \$	\$4,486	\$3,936	\$3,892
Total Illiquid %	21.2%	18.6%	18.4%

Note: Assumes zero realizations, no new commitments and a five-year investment period; funded out of liquids