

**New York City**  
**Board of Education Retirement System**

Performance Overview as of December 31, 2012

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# Total Fund Overview

# New York City Board of Education Retirement System

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## Consultant's Commentary

Through December 31, 2012

### Market Commentary

After hitting a high of 3.1% in the third quarter, the first estimate for fourth quarter GDP growth decelerated to -0.1%, well below the estimate of 1.0%. For 2012, the U.S. grew at a preliminary 2.2% rate, versus 1.8% in 2011.

Employment gains averaged 153,000 per month in 2012, a level deemed by economists roughly sufficient to offset population growth but not yet indicative of a labor market recovery. The unemployment rate ended the year at 7.8%.

CPI rose 1.7% over the past 12 months, which now marks three consecutive quarters of sub 2% CPI (year-over-year). Core CPI (excluding food and energy) for the last 12 months was 1.8%.

Despite a pullback in the fourth quarter and what seemed like constant negative economic and political news from around the world, the equity markets turned in a strong year in 2012. For the quarter, the S&P 500 fell -0.4%, but gained 16% for the year. Performance was similar by market capitalization, as large and small cap indices returned 16.4% in 2012, but value beat growth by 2-3% for the year. The financials sector was the strongest performer for the quarter and year, returning 5.9% and 28.8%, respectively. Consumer discretionary stocks returned 2.1% for the quarter and 23.9% for the year. The weakest sectors in the quarter were technology and telecom, which fell -5.7% and -6.0%, respectively. For the year, only energy (+5.6%) and utilities (+1.3%) rose less than 10%.

Foreign stock markets followed US markets for most of the year but finished on a stronger note on increased optimism over fiscal reform in Europe. The MSCI-EAFE returned 6.6% for the quarter and 17.3% for the year. Like the US, financial stocks ended the year well, returning 11% for the quarter and 34% for the year. Consumer discretionary stocks returned 25% for the year. Energy (+2%), utilities (+4%) and telecom (+4%) were the weakest sectors in 2012. Japanese markets returned 8% in 2012, as the strong US dollar lowered returns for US investors, while Europe rose 20% and the Pacific Rim increased 25%. The MSCI EM Index rose 5.6% for the quarter and 18.6% for 2012.

## Consultant's Commentary

Through December 31, 2012

### **Market Commentary (continued)**

The Barclays Capital US Aggregate Index returned 0.2% for the fourth quarter, bringing the one-year return to 4.2%. While the 10-year Treasury yield traded in a wide range over the year (100 basis points), it closed the year only 12 basis points lower at 1.76%. For the quarter, US Treasuries returned -0.1%, while credit led returns, particularly high yield and longer financials. The “risk-on” trade was in full force during the year with corporate bonds returning 9.8%, while other spread sectors, like CMBS (+9.7%), also outperformed. MBS and ABS posted small gains of 2.6% and 3.3%, respectively. High Yield bonds returned 15.8%, while non-USD bonds returned 1.5% for the year.

### **Asset Allocation**

At December 31, 2012, the Board of Education Retirement System (BERS) Total Portfolio was \$3.2 billion versus \$3.2 billion at the end of the third quarter.

The overall allocation is 67.6% equity (including Real Estate and Private Equity) and 32.4% fixed income versus a target allocation of 70% equity and 30% fixed income. Within the equity portfolio, the Plan is overweighted to US equity and Developed International Equity by 5.4% combined, slightly underweighted to Emerging Markets and underweighted to Private Equity and Real Estate by 7.5% combined, as these latter asset classes slowly build up.

The Total Equity and Total Fixed Income allocations are within their allowable ranges. The PE and RE allocations are outside of their ultimate target ranges but this is a function of building up the portfolios. The Developed Market allocation is 2.7% overweighted versus an allowable range of +/-2%, which suggests this asset class is outside of its range and rebalancing should be considered.

## Consultant's Commentary

Through December 31, 2012

### **Manager Issues**

In late January, 2013, PIMCO announced that Scott Simon, head of agency MBS management, will be leaving the firm in May for personal reasons. His role is being replaced by two individuals, Dan Hyman (joined PIMCO in 2008) and Michael Cudzil (joined last year).

As we noted last time, co-PM Kathleen Gaffney announced her departure to leave Loomis and her last day was October 24, 2012. Also, Loomis announced a number of organizational initiatives in October that bring equity and fixed income groups under the leadership of chief investment officer, Jae Park.

### **Total Fund Performance**

The Total Plan returned 2.3% in the quarter versus 1.9% for the benchmark. This result placed in the 35th percentile of the Public Fund Master Trusts > \$1 Billion Universe. For 2012, the Total Plan returned 13.5% to 14.1% for the benchmark, but this result still ranked in the 30th percentile of the peer universe. Over the past five years, the Plan has earned 3.1% to 2.9% for the index and placed in the 38th percentile.

During the quarter, the Allocation and Management effects were positive. Among the managers, domestic equity and emerging markets added the most value while EAFE equity detracted. For the year, Allocation was negative and this was only partially offset by better results from the managers. Holding cash in the portfolio during the year had a negative impact given returns from stocks and bonds. Among the managers, EAFE equity and fixed income added the most value in 2012 but this was partially offset by underperformance from the private equity allocation. Note that much of the Fund's private equity investments are still in their investment phases and subject to "J-curve" effects that make short-term performance comparisons difficult.

## Consultant's Commentary

Through December 31, 2012

### U.S. Equity

For the quarter, Total Domestic Equity returned 0.8% versus 0.3% for the Russell 3000 Index. Small cap managers Daruma and the FIS Management program were the top performers in both absolute and relative terms. Zevenbergen was slightly ahead of its benchmark while Wellington and Aronson both lagged. For the year, Total Domestic Equity rose 16.6% to 16.4% for the index. All of the active equity strategies outperformed except for Zevenbergen, which trailed its benchmark by 6.8%. The top performers in relative terms were Daruma and Wellington.

**Zevenbergen** returned -0.4% during the quarter versus -1.2% for the Russell 3000 Growth benchmark. The full year return is just 8.4% versus 15.2% for the benchmark. Three and five year returns now trail the index. For the year, the fund was hurt by weak stock selection throughout most of the portfolio. In all, the fund was invested primarily in six sectors (excluding telecom, which was just 1% of the portfolio) and security selection was negative in five of them (consumer discretionary was slightly positive). The key areas of underperformance, however, were technology, which accounted for more than 50% of the relative underperformance, and health care, which accounted for more than one-third of the underperformance. The only sector to add value was consumer staples, where the manager benefited from a lack of exposure to this relatively weak area. In health care, Zevenbergen's stocks rose an average of 7% versus more than 23% for those in the index. Weak performers were medical device makers Mako Surgical (2012 return: -49%) and Intuitive Surgical (+6%), cost containment and audit services company HMS Holdings (-19%) and Salix Pharmaceuticals (-19%). In technology, the fund's stocks rose just 4% on average versus 16% for those in the index. Here, the primary detractors were an underweight to Apple (+32%), although this helped in the fourth quarter when Apple fell -21%, an overweight to Google (+10%), and above-benchmark positions in Verifone Systems (-16%) and telecom equipment company Acme Packet (-45%), which was sold in the fourth quarter.

## Consultant's Commentary

Through December 31, 2012

### U.S. Equity (continued)

**Aronson** returned 1.3% for the quarter versus 1.5% for the Russell 1000 Value index. For 2012, Aronson outperformed its benchmark, 18.2% to 17.5%. Three and five year results remain ahead of the index, as well. For the year, the value metric helped, especially when measured by price-to-forecasted-earnings and price-to-sales. Stocks with a high value ranking, such as oil refiners Tesoro and Valero Energy, were among the portfolio's best performers for the year. Overall, energy stocks rose more than 20% on average (versus 4% for those in the index) and added meaningfully in relative terms. The management metric, measuring operating efficiency, sentiment, and earnings quality, also contributed to relative return while momentum added little. At the sector level, performance in consumer discretionary offset a good portion of the positive value added in energy. Here, an out-of-benchmark position in Apollo Group (-61%) was the primary detractor, although Best Buy and Coach also hurt.

**Wellington** returned 2.0% for the quarter to 3.6% for the S&P Midcap 400 Index. Despite the weak results in the final quarter, Wellington beat the benchmark by 2% for the year, 19.9% to 17.9%. The good results in 2012 help the strategy's since inception (into the BERS plan) return but it still lags the index. For the year, security selection was positive while sector allocation had little impact. Relative return for the year was solid throughout much of the portfolio, as most sectors added value and only one sector subtracted any meaningful amount. Sector allocation was neutral, with the negative impact from an overweight to energy offset by an overweight to health care and an underweight to utilities. Stock selection drove the positive results. Energy, financials, industrials and materials were all additive but the top contributor was health care, where the portfolio's stocks rose an average of nearly 40% versus 27% for those in the index. Top contributors were Amylin Pharmaceuticals and Lincare Holdings. The key area of underperformance was technology, led by weak results from Western Union (-24%) and Rovi Corp (-37%). The portfolio remains overweighted to health care, focused on generic drug manufacturers and drug distribution themes. Wellington is also overweighted to energy and holds an assortment of drillers, oil, coal and natural gas exposure. They did trim exposure to offshore drilling companies and eliminated their position in McDermott International. The largest underweight remains to financials, especially REITs. They are overweight to banks and diversified financials.

## Consultant's Commentary

Through December 31, 2012

### **U.S. Equity (continued)**

**Daruma** returned 5.7% in the quarter versus 1.9% for the Russell 2000 index. For the year, the portfolio returned 19.9% to 16.4% for the index. For the year, the portfolio was negatively impacted by a sizeable underweight to financials, especially its lack of exposure to REITs. Daruma has about 4% in financials versus 23% for the index and financial stocks rose nearly 23% (REITs rose 26%). Despite the weak results here, Daruma managed to beat the index by 3.5% in 2012. Not owning consumer staples or utilities was additive, as these sectors underperformed the overall market. Good results in consumer discretionary, producer durables and technology also added value. Three stocks in particular were extremely beneficial in both absolute and relative terms: Lumber Liquidators, which is a 3.6% position and rose 199% for the year, Medicaid managed-care provider AMERIGROUP rose 55% before it was acquired by Wellpoint, and Medicaid enrollment and outreach provider Maximus rose 54% and finished the year as a 3.9% position. These three stocks added 8.5% in absolute return for the year and substantial relative value as they were small positions in the index.

**Progress** returned 0.8% for the quarter versus 0.3% for its Russell 3000 benchmark during quarter. The fund finished ahead of the index for the year, 16.9% to 16.4%. Three and five years lag with the five year return behind by just 9 basis points.

**FIS** returned 3.5% during the quarter versus 1.9% for the Russell 2000. The fund beat the index for the year, 17.4% to 16.4%. Three year results are also ahead of the index but the five year return lags.

## Consultant's Commentary

Through December 31, 2012

### **International Equity**

The Total Developed Market portfolio lagged the MSCI EAFE (net dividend) Index during the quarter, 6.2% to 6.6%. For the year, the Total Developed Market portfolio rose 18.4% to 17.3% for the index. Long-term results remain very good in relative terms with both active managers, Baillie Gifford and Sprucegrove, adding value versus both the EAFE and their EAFE-style benchmarks (EAFE Growth for Baillie Gifford and EAFE Value for Sprucegrove).

**Baillie Gifford** returned 6.5% to 6.6% for the MSCI EAFE (net) Index during the quarter. For 2012, the portfolio rose 18.9% to 17.3% for the index. At the regional level, one year performance benefited most from good results in Europe, especially Spain, Sweden, the United Kingdom and Switzerland. A very weak result in Japan, where Internet services company Rakuten returned -27% and mobile social gaming network company Gree fell -54%, was the primary detractor. Emerging markets had minimal impact on a relative basis. Looking at returns from a sector perspective, sector allocation and security selection were positive for the year. The portfolio benefited from a lack of exposure to weak performing areas like telecom and utilities, a meaningful underweight to energy, another weak sector in 2012, and an overweight to consumer discretionary stocks. Partially offsetting this was an overweight to technology, which rose just 8% last year. Security selection was most favorable in health care, industrials and materials although this was offset by weaker returns in financials and technology.

**Sprucegrove** returned 5.9% for the quarter compared to 6.6% for the MSCI EAFE (net). For 2012, the portfolio is ahead of the index 17.8% to 17.3%. Sprucegrove did lag the EAFE Value index for the year. From a country perspective, the fund benefited from good selection in Japan and the UK and an overweight to Singapore. These results were mostly offset by weaker returns in France and the Netherlands and an underweight to France. At the sector level, better returns in industrials, technology, telecom and consumer discretionary all helped but these results were offset by an underweight to financials and selection in energy.

## Consultant's Commentary

Through December 31, 2012

### **Emerging Markets**

**State Street Global Advisors (SSgA)** returned 8.0% to 5.6% for the MSCI Emerging Markets Index. This result offset the weak returns in the third quarter and helped to close the underperformance gap for the year, as SSgA returned 18.1% versus 18.6% for the index. As the fourth quarter outperformed by a significant margin, we focus on the quarterly return in this commentary. For the quarter, the largest contributors to performance were positions in Brazil and Poland. In Brazil, an overweight position in Cia Vale do Rio Doce Pfd added value, as it rose 20%. In Poland, an overweight position in KGHM Polska Meidz S.A. helped, as it rose 29%. An overweight to Turkey added value, as this was a strong market through most of the year. On the negative side, an underweight to South Africa and to Columbia, especially in financials, detracted.

## Consultant's Commentary

Through December 31, 2012

### **Fixed Income – Structured Manager Composite**

The Total Structured Portfolio outperformed its NYC Core + 5 Index during the quarter with a return of 0.5% versus 0.3%. Nearly all of the managers outperformed, especially Taplin Canida credit. The Total Structured Portfolio is also ahead for the year, 6.7% versus 5.5%. The stronger performers were again Taplin Canida credit and PIMCO mortgages, which beat their respective benchmarks by approximately 2.0% and 1.9%, respectively. Trailing three- and five-year returns are ahead of benchmark.

**Taplin Canida** (credit) returned 2.0% during the quarter versus 1.1% for the customized Citigroup Credit Index. For the year, Taplin outperformed in three of the four quarters and returned 11.5% versus 9.5%. Performance is either comparable to, or ahead of benchmark, over longer time periods. Factors that were supportive to relative performance during the quarter were also helpful for the year. They include an overweight to lower-rated credits within the investment-grade spectrum and also favorable industry selection (overweight to US banking issues). Barbell credit curve positioning was also a contributing factor, given an overweight in longer duration credit, and the outperformance of such securities.

**Prudential** (credit) returned 1.0% during the quarter slightly trailing the 1.1% return by its customized index. During 2012, Prudential approximated the benchmark return of 9.5%. The portfolio is positioned similarly to the index in terms of yield (2.4% vs. index 2.5%) and duration (both fund and index at 6.5 years). The average quality is also similar to the benchmark, per Moody's, at A3. Consistent with last quarter, the biggest difference relative to benchmark continues in sector allocation. Non-US credit is significantly underweight, 9.5% versus 20.0%, as of year end. With respect to industries, banking has the largest representation at 18.7% of the portfolio compared to a 16.3% allocation within the benchmark. Foreign non-corporates and electrical utilities continue as the 2nd and 3rd largest industry exposures, accounting for 9.5% and 7.6% of the portfolio, respectively.

## Consultant's Commentary

Through December 31, 2012

### Fixed Income – Structured Manager Composite (continued)

**PRIVEST** (credit) – In December 2012, BERS funded a \$15 million investment in the Prudential PRIVEST investment which focuses on privately placed fixed income securities. Commentary will be provided following its first full quarter in the fund (Q1 2013 report).

**SSgA** (governments) returned -0.2% during the quarter, outperforming its benchmark by 7 basis points. For the year, SSGA returned 4.0%, ahead of the 3.8% return of its benchmark. Longer-term numbers are mixed, with three-year returns slightly behind, but five-year numbers slightly ahead of benchmark. A contributing factor to outperformance has been an overweight to agency securities (25% versus 7%, by market value). Shorter-duration callable issues have been favored, which they observe offer a noticeable yield advantage.

**PIMCO** (mortgages) returned -0.2% for the fourth quarter, 4 basis points ahead of its benchmark. For the year, PIMCO returned 4.5% versus 2.6% for its benchmark. PMCO also leads for all longer trailing time periods. Allocations to non-agency paper and commercial mortgage-backed securities added value during the year. In late January, PIMCO announced that Scott Simon, head of agency MBS management, will be leaving the firm in May for personal reasons. His role is being replaced by two individuals, Dan Hyman (joined PIMCO in 2008) and Michael Cudzil (joined last year).

### Fixed Income - TIPS

**PIMCO** returned 0.8% during the quarter, compared to 0.7% for the Barclays Capital US TIPS Index. For the year, the portfolio also beat the index, 7.7% versus 7.0%. The three- and five-year returns remain ahead of benchmark. Exposure to Australian and Canadian inflation-linked bonds have been a consistent return contributor throughout the year, as was a Q4 allocation to UK inflation-linked bonds. Non-US accounted for just under 6% of assets (by market value) as of year end. Duration was in line with the benchmark (8.1 years on a real duration basis, and 6.1 years on a nominal duration basis).

## Consultant's Commentary

Through December 31, 2012

### Enhanced Yield Fixed Income

Total High Yield returned 3.0% during the quarter, 3 basis points ahead of the Citigroup BB & B Index. Loomis outperformed during the quarter, and Shenkman recorded its first full quarter with BERS behind its benchmark. High yield is ahead for the year, 15.7% versus 14.5%, and also leads over all longer trailing time periods.

**Loomis Sayles** returned 3.3% for the quarter versus 3.2% for the Merrill Lynch High Yield Master II index. Over the full year, the fund returned 17.6% versus 15.6% for the index. Performance also remains ahead of benchmark over longer time periods. The fund's performance for the year benefited from the rally in riskier assets, as the manager held a higher percentage of CCC-rated bonds than the index. The fund started the year with roughly 16% in the lowest rated bonds, which was in line with the index. As the year progressed the allocation reached 31% as of December versus 17% for the index. For the year CCC-rated bonds returned over 18%. An overweight in telecom issues also boosted performance, as the sector outperformed the broader index. Out of benchmark issues like convertibles added value, as well. As we noted last time, co-PM Kathleen Gaffney announced her departure to leave Loomis and her last day was October 24th. We are disappointed with her departure but not overly concerned. As a result, we do not believe action is required at this time.

**Shenkman**, the replacement manager for Seix Advisors, was funded in mid-August. For Q4, the portfolio returned 2.7% versus 3.0% for its Citigroup BB & B Index benchmark. Cash drag was partially responsible given the relatively strong showing of high yield during the quarter. Other factors that hurt included underweights in metals/mining and financials.

The funding of the **Babson** bank loans was conducted through two tranches, including an approximate \$600 million provided to Babson on September 1, and the remaining \$200+ million provided in late September. As a reminder, NYCBERS participates in a commingled fund with other NYC Retirement Systems for this mandate. Babson reports that the transition was well-timed, allowing them to take advantage of a flood of new bank loan issuance that hit the market following the Labor Day holiday. Given the size of the fund, however, Babson did not consider it to be fully invested until December 1, which has been established as the formal inception date for performance measurement.

## Consultant's Commentary

Through December 31, 2012

### **Real Estate (Returns provided are those of the fund, as provided by the manager, and as of the date indicated)**

The Fund's real estate target is 7%, or about \$226 million based on December 31 market values. Current commitments total \$109 million and include \$27.6 million to La Salle Property Fund, \$41.4 million to UBS Trumbull Property Fund, \$30 million to Franklin Templeton Private Real Estate Fund, and \$10 million to Brookfield Strategic Real Estate Partners, which total at 48% of target. The year-end market values are \$73.9 million, or just under 33% of target. Brief comments on the funds follow, with a full report to be provided by the NYC BERS real estate consultant(s).

**LaSalle Property Fund (core)** returned 1.9% for Q4 2012 (preliminary) versus 2.4% for the NFI-ODCE Index<sup>1</sup>. For the year, the fund returned 13.7% (preliminary), outperforming the 10.9% for the index. Q4 reporting was not yet available at the time of this report. The following information is as of 9/30. Leverage is 27% compared to 23% for the ODCE. Debt possessed a weighted average term of 7.8 years and a weighted average interest rate of 3.7%. The property count in the fund is 25, with approximately 40% of the NYC BERS commitment to the fund remaining uncalled. In terms of sector allocation, the fund is overweighted to residential (34% versus 24%) and industrials (30% versus 12%), while underweighted to office (19% versus 39%). Geographic focus is currently on the East and West. The portfolio is 4% allocated to value-add type investments, distributed across three properties. Weighted occupancy rate, including value-add, was 94%.

**UBS Trumbull Property Fund (core)** returned 2.0% for Q4 2012, compared to 2.4% for the NFI-ODCE Index<sup>1</sup>. For the year, the fund returned 10.2% versus 10.9% for the index. Lower leverage compared to benchmark contributed to underperformance for the year, and stood at 12% versus 22% as of year end. Return for the year was derived from approximately 45% appreciation and 55% income. Management forecasts appreciation accounting for roughly 25% of performance in 2013. Sector positioning as of year end was 32% multi-family, 33% office, 19% retail, 10% industrials, and 6% hotel. Value add investments accounted for just 4% of assets. The fund maintains an entry queue, and prospective investors continue to be advised of a 12 month+ wait.

<sup>1</sup>NFI-ODCE is short for NCREIF Fund Index - Open End Diversified Core Equity. It is an index of investment returns reporting the results of 28 open-end commingled funds pursuing a core investment strategy. The Index is capitalization-weighted and reported gross of fees.

## Consultant's Commentary

### Through December 31, 2012

**Real Estate (Returns provided are those of the fund, as provided by the manager, and as of the date indicated)**  
**Franklin Templeton Private Real Estate Fund (non-core)**, a global opportunistic real estate fund of funds has, as of December 31, committed approximately 70% out of \$269 million in total limited partner investor commitments across six funds and three co-investments. They include two US funds (one of which specializes in real-estate debt), three funds with a Northern Europe focus (including one co-investment), three Asia funds (including one co-investment), and a UK co-investment. Committed assets are allocated 36% US, 29% Europe, and 35% Asia, with office comprising the largest sector exposure (47%). Total portfolio leverage is 55%, with the underlying fund leverage ranging from 15% to 84%. One of the US value-add fund investments, FCP Realty Fund II, has started to provide distributions despite still being in the early stages of its lifecycle.

**Brookfield Strategic Real Estate partners (opportunistic)** is a closed-end fund investment recently initiated with a \$10 million commitment. The fund does not yet possess a meaningful return history.

**Private Equity (Returns are one quarter in arrears and results shown are provided by the manager)**  
**Mesirow Financial Private Equity Partners III (Fund III)** has committed \$524.0 million to 42 partnerships. This represents 104% of total committed capital, with the amount over 100% reinvested from cash distributions. The fund has contributed \$467.3 million to partnerships and distributed \$166.2 million through 9/30/12. As of 9/30/12, Fund III posted a fair value of \$443.7 million (\$609.9 million including distributions) and a preliminary IRR since inception of 8.1%. The portfolio is moving from the investment phase to the development phase.

1NFI-ODCE is short for NCREIF Fund Index - Open End Diversified Core Equity. It is an index of investment returns reporting the results of 28 open-end commingled funds pursuing a core investment strategy. The Index is capitalization-weighted and reported gross of fees.

## Consultant's Commentary

### Through December 31, 2012

**Private Equity (Returns are one quarter in arrears and results shown are provided by the manager)**

**Mesirow Financial Private Equity Partners IV (Fund IV)** has committed \$909.4 million to 53 partnerships. The fund has contributed \$591.3 million (or 65% of capital) and distributed \$123.8 million through 9/30/12 (including its first investment-related distribution in June). As of 9/30/12, Fund IV posted a fair value of \$587.9 million (\$711.7 million including distributions) and a preliminary Portfolio IRR since inception of 8.5%. Mesirow is still in the commitment and investment phase of the portfolio.

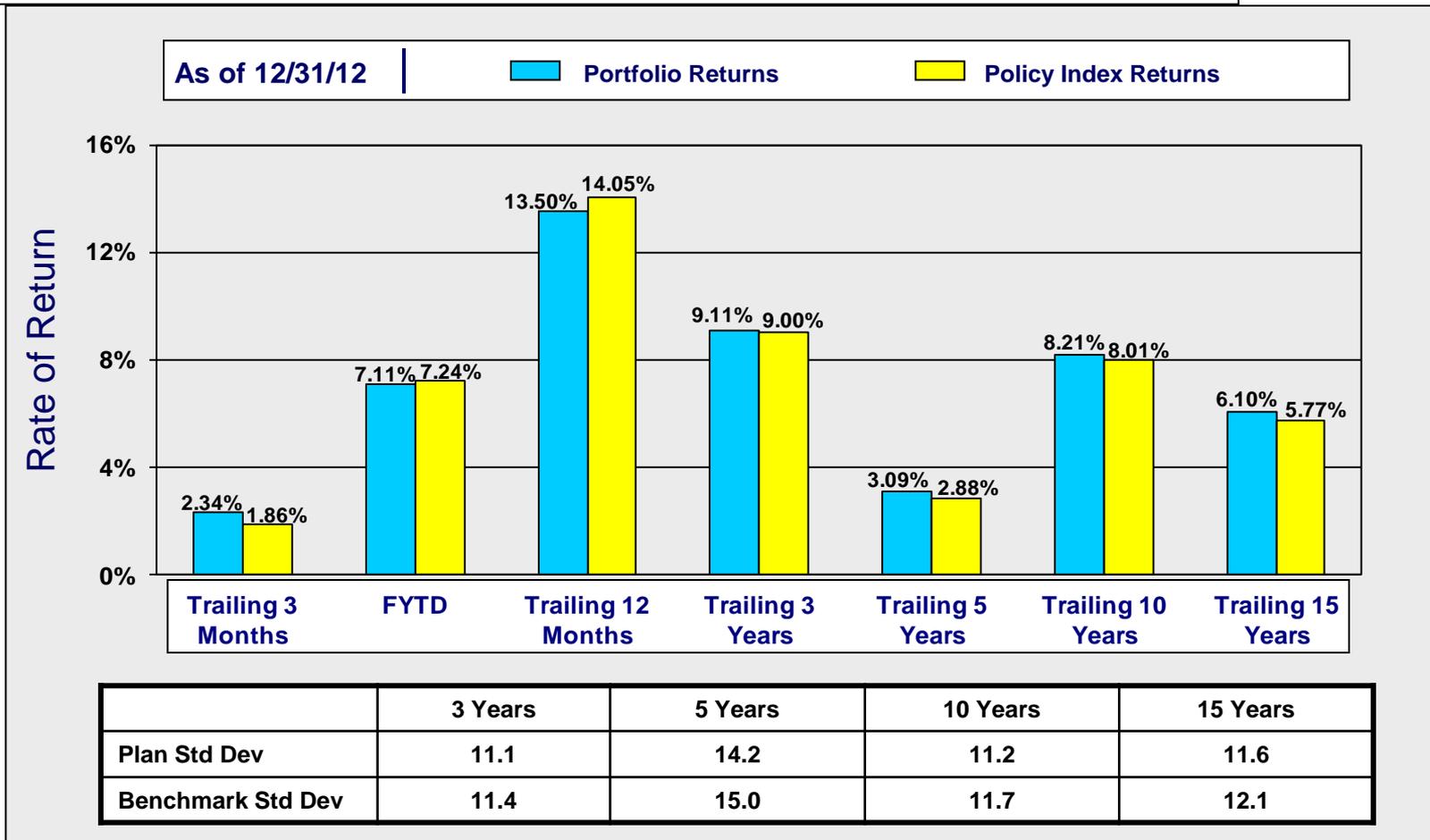
**Mesirow Financial Private Equity Partners V (Fund V)** has committed \$668.8 million to 43 partnerships, contributed \$201.5 million and distributed \$30.7 million (primarily interest equivalent contributions) through 9/30/12. As of 9/30/12, Fund V posted a fair value of \$219.4 million. Portfolio IRR is 22%, but the fund is still too new for the number to be meaningful. Mesirow is still in the commitment and investment phase of the portfolio.

**New York/Fairview Private Equity Fund** has committed \$18 million to 6 partnerships and contributed \$12.7 million through 6/30/2012 (data as of 9/30/2012 is not yet available). As of 6/30/2012, the Fund posted a fair value of \$11.9 mm relative to a cost basis of \$9.4 million. The fund has not made commitments to new partnerships, and continues to hold \$3 mm in each of the following 6 partnerships: 21st Century Group, Bertram Growth I, Encore Consumer Capital, GenNx360 Capital Partners, Halyard Capital II, and Vicente Capital Partners Growth. Most of the investments are diversified across various sectors including industrials, media and telecom, energy, consumer goods, technology and healthcare.

**Warburg Pincus Private Equity XI** has closed on \$7.0 billion in investor commitments through year end. This is out of a total targeted \$12 billion, and includes \$25 million from NYC BERS made on May 2012. Approximately \$5.5 million has been contributed, representing the calling of about 22% of BERS investment. The WP XI portfolio currently consists of 18 companies across eight industries. The fund is relatively new and still early in its investment phase. Its target strategy allocation is as follows: 25% energy, 40%-50% growth, 25% buyout, and 10% other.

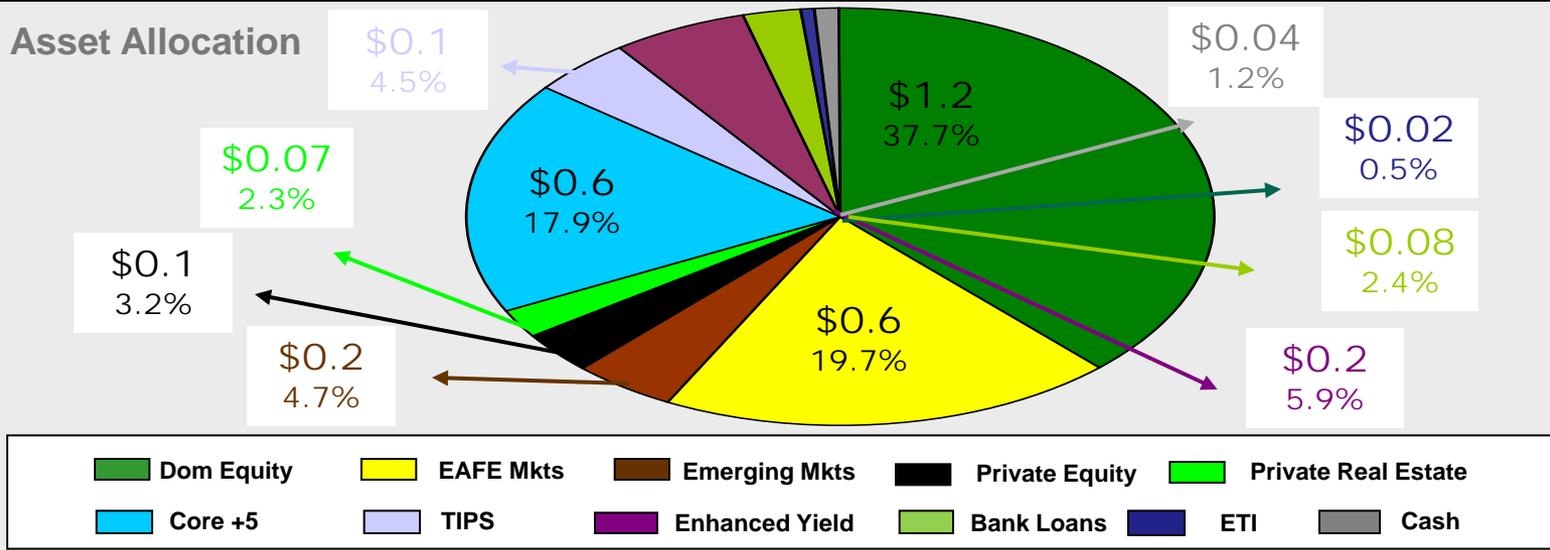
# Total Portfolio Returns: December 31, 2012

**\$3.2B** Under Management

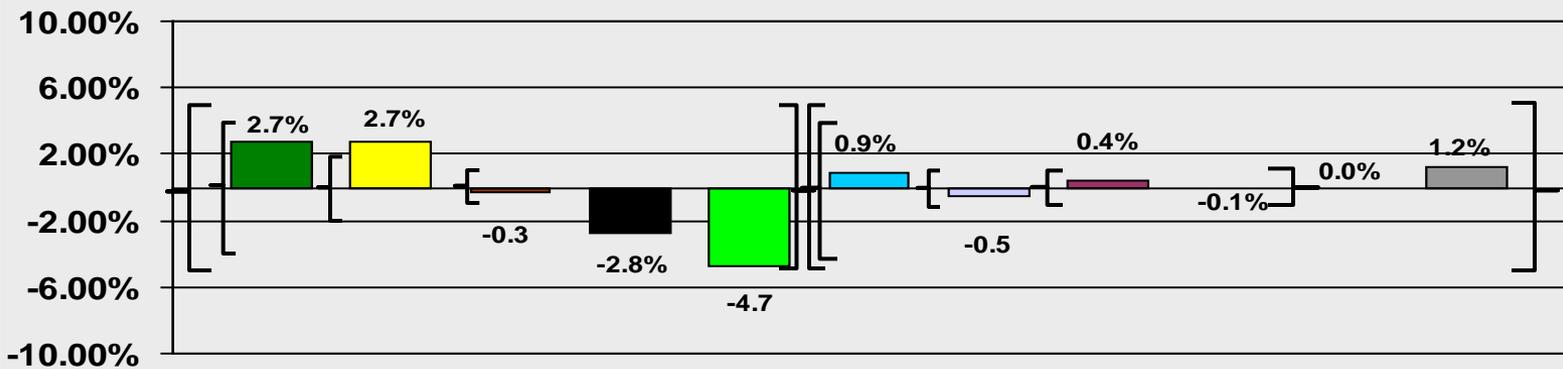


# Portfolio Asset Allocation: December 31, 2012

**\$3.2B** Under Management

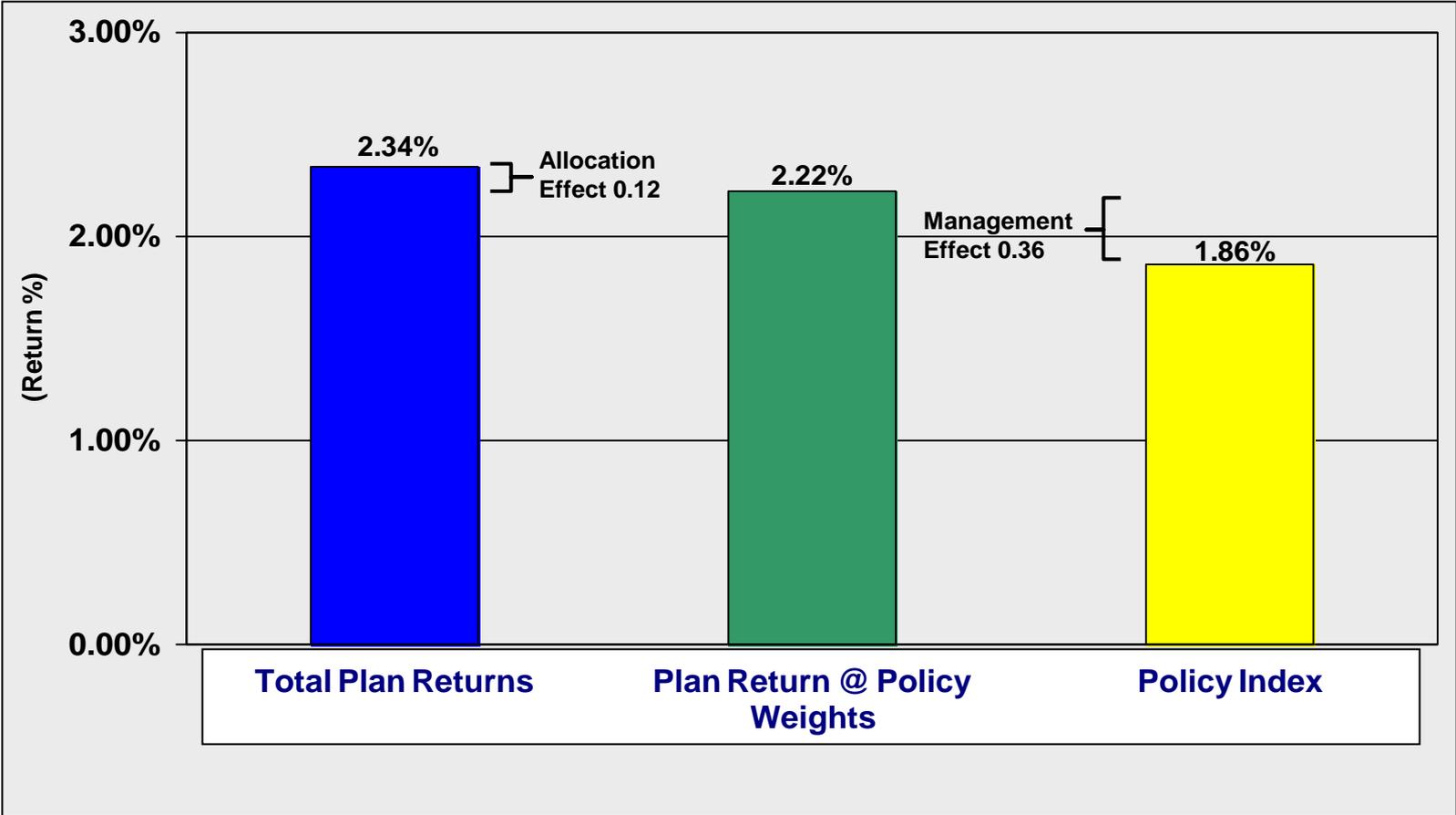


## Relative Mix to New Policy Weights

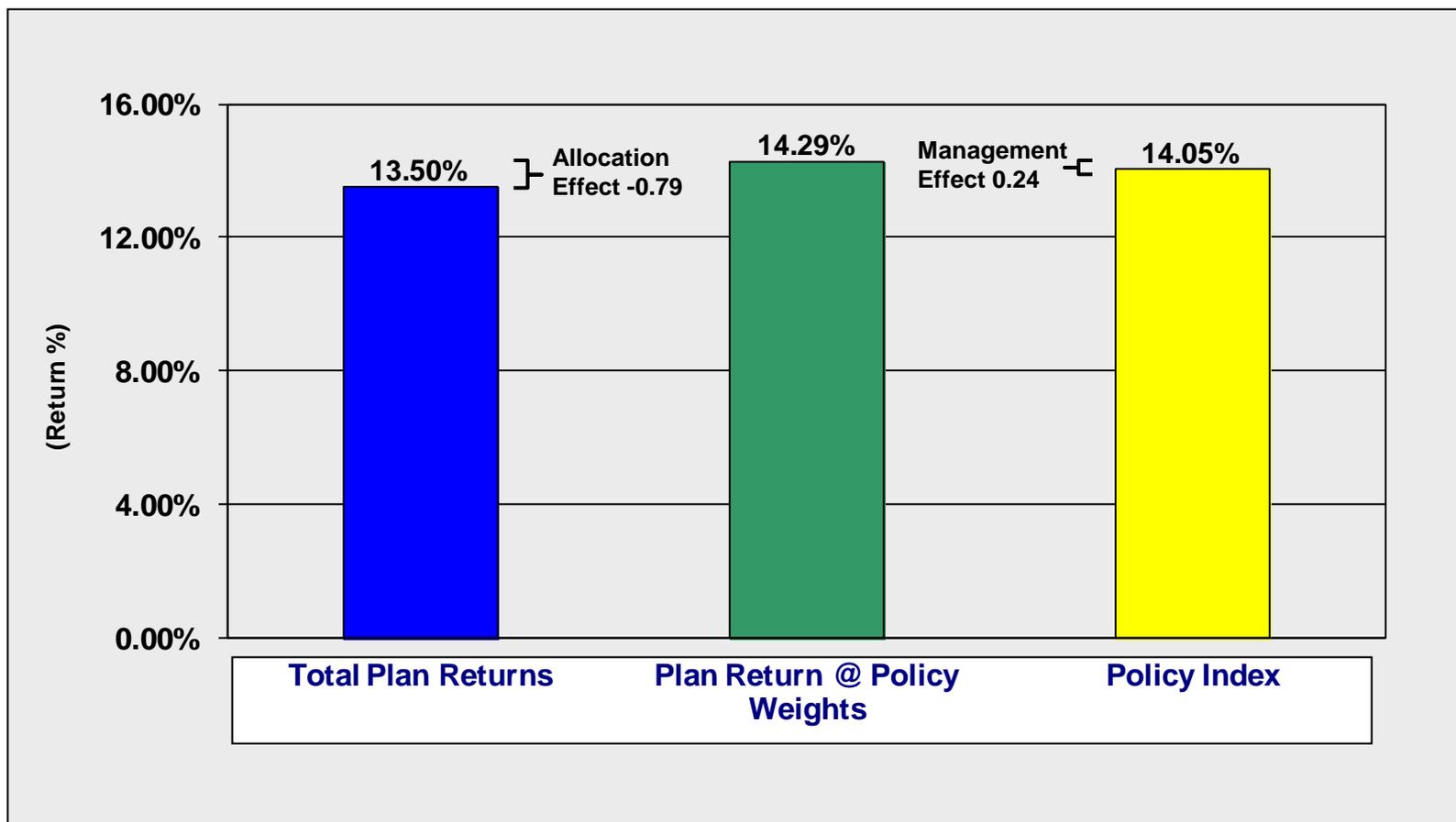


Note: Brackets represent rebalancing ranges versus Policy.

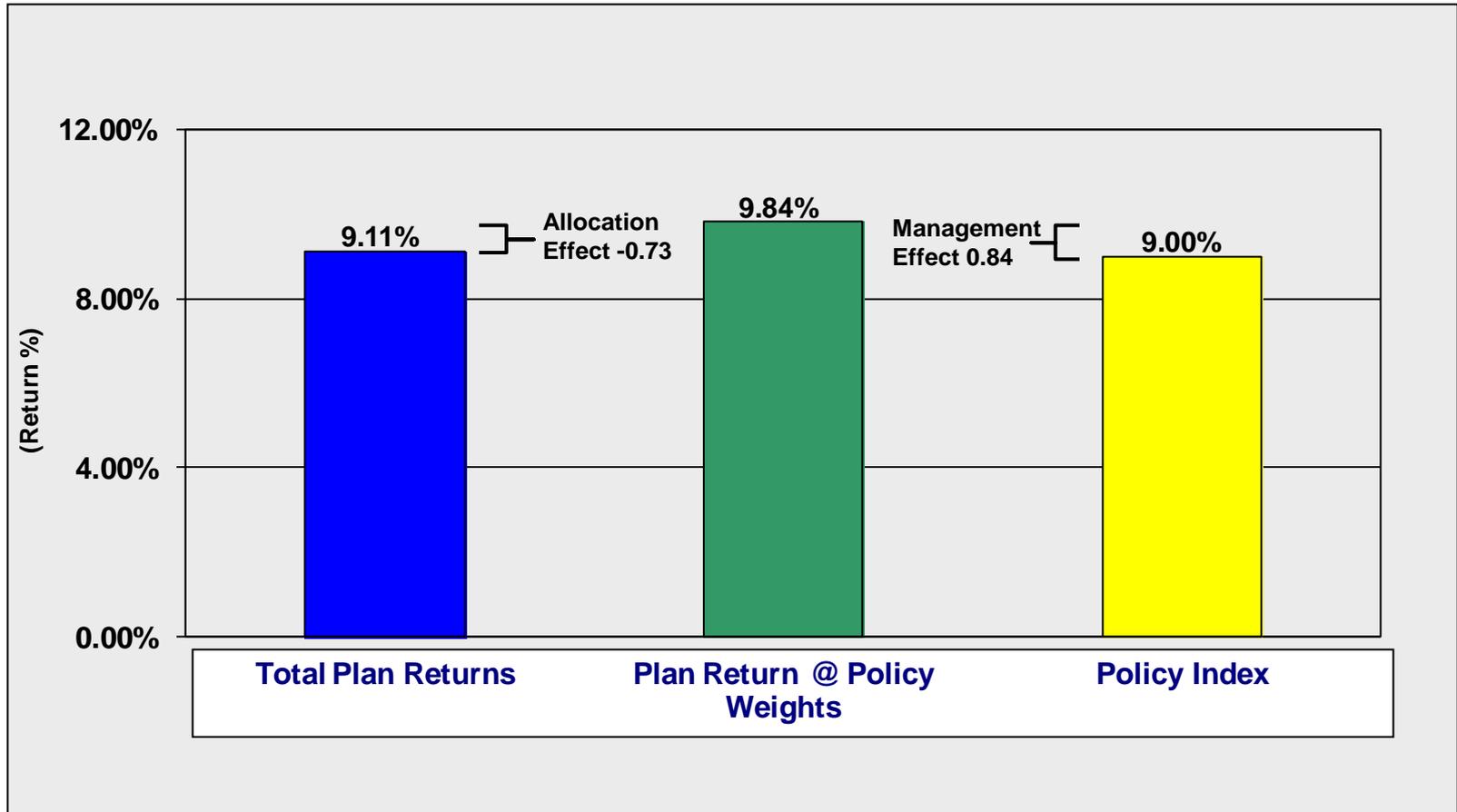
# Performance Attribution: Total Plan - Quarter Ending December 31, 2012



## Performance Attribution: Total Plan – 12 Months Ending December 31, 2012



# Performance Attribution: Total Plan – 3 Years Ending December 31, 2012



## Total Plan - Quarter Ending December 31, 2012

### Allocation Effect – Asset Class Breakdown

<u>Plan</u>	<u>Quarter</u>	<u>12 Months</u>	<u>3 Years</u>	<u>Benchmark</u>
Domestic Equity	0.08	-0.06	-0.11	Russell 3000 Index
EAFE Markets	0.09	-0.09	-0.07	MSCI EAFE Index
Emerging Markets	-0.03	-0.01	-0.07	MSCI Emerging Markets Index
Private Equity	0.00	0.00	0.00	Russell 3000 Index + 300 b.p.
Private Real Estate	0.00	0.00	****	NCREIF ODCE NET
Domestic Fixed	-0.02	-0.02	-0.19	NYC Core +5 Index
Enhanced Yield	0.00	-0.01	-0.02	Citigroup BB&B Index
TIPS	0.00	0.01	-0.01	Barclays Capital US TIPS Index
State Street Short Term	-0.02	-0.50	-0.39	Total Plan

Note: Detailed effects may not add up to total due to reallocation and trading effects.

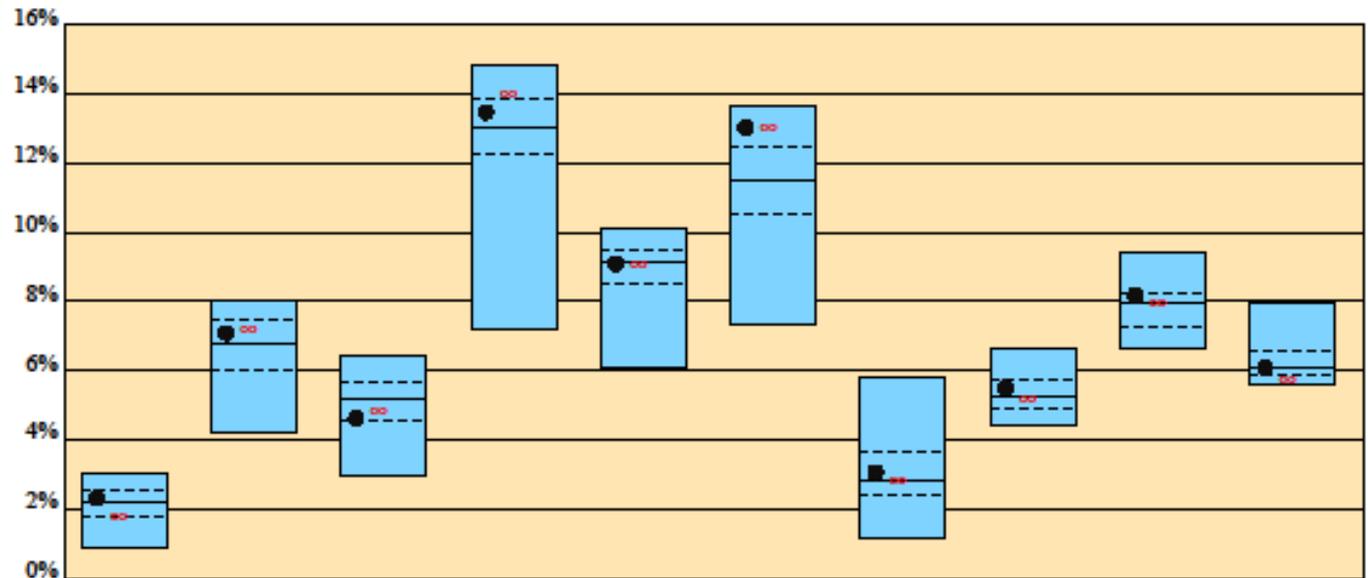
## Total Plan - Quarter Ending December 31, 2012

### Management Effect – Asset Class Breakdown

<u>Plan</u>	<u>Quarter</u>	<u>12 Months</u>	<u>3 Years</u>	<u>Benchmark</u>
Domestic Equity	0.21	0.08	-0.13	Russell 3000 Index
EAFE Markets	-0.07	0.18	0.84	MSCI EAFE Index
Emerging Markets	0.08	-0.02	0.01	MSCI Emerging Markets Index
Private Equity	0.04	-0.39	-0.13	Russell 3000 Index + 300 b.p.
Private Real Estate	0.03	0.08	****	NCREIF ODCE NET
Domestic Fixed	0.03	0.22	0.14	NYC Core +5 Index
Enhanced Yield	0.00	0.06	0.05	Citigroup BB&B Index
TIPS	0.01	0.02	0.01	Barclays Capital US TIPS Index

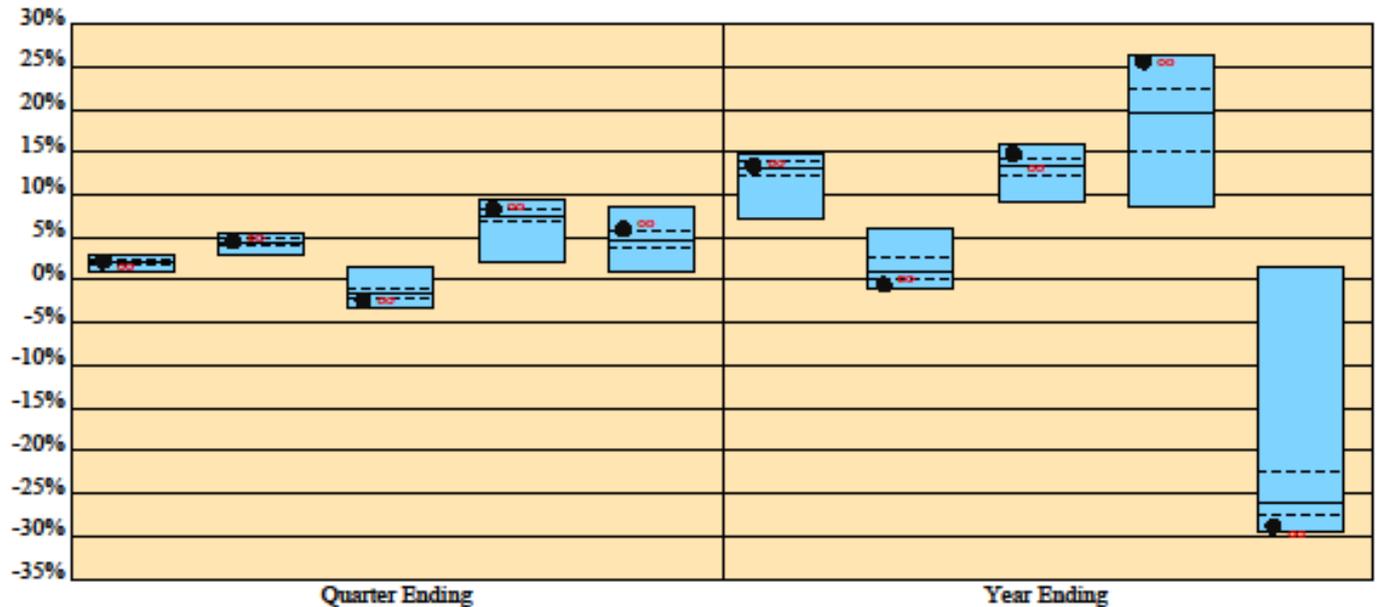
Note: Detailed effects may not add up to total due to reallocation and trading effects.

## City of New York - Board of Education Total Returns of Public Master Trusts > \$1 Billion Rates of Return for Periods Ending December 31, 2012



	1 Quarter	2 Quarters	3 Quarters	1 Year	3 Years	4 Years	5 Years	7 Years	10 Years	15 Years
5th Percentile	3.02	7.99	6.44	14.85	10.13	13.62	5.80	6.61	9.40	7.94
25th Percentile	2.52	7.44	5.68	13.83	9.46	12.46	3.63	5.72	8.24	6.56
Median	2.18	6.79	5.15	13.04	9.12	11.46	2.83	5.25	7.96	6.11
75th Percentile	1.74	6.02	4.58	12.25	8.48	10.53	2.37	4.88	7.24	5.88
95th Percentile	0.84	4.17	2.93	7.22	6.09	7.34	1.17	4.40	6.65	5.56
● Total System	2.34 (35)	7.11 (42)	4.66 (71)	13.50 (30)	9.12 (51)	13.06 (12)	3.09 (38)	5.53 (28)	8.20 (28)	6.11 (50)
∞ Board of Ed Policy Benchmark	1.86 (67)	7.24 (35)	4.88 (58)	14.05 (17)	9.14 (48)	13.10 (10)	2.91 (46)	5.24 (51)	8.00 (46)	5.78 (80)

## City of New York - Board of Education Total Returns of Public Master Trusts > \$1 Billion Recent Periods



	Quarter Ending					Year Ending				
	Dec 12	Sep 12	Jun 12	Mar 12	Dec 11	Dec 12	Dec 11	Dec 10	Dec 09	Dec 08
5th Percentile	3.02	5.40	1.46	9.42	8.50	14.85	5.93	15.92	26.29	1.53
25th Percentile	2.52	4.98	-0.92	8.31	5.74	13.83	2.68	14.24	22.29	-22.45
Median	2.18	4.49	-1.67	7.50	4.62	13.04	0.84	13.43	19.47	-25.99
75th Percentile	1.74	4.16	-2.00	6.89	3.89	12.25	0.08	12.29	15.19	-27.50
95th Percentile	0.84	2.82	-3.20	1.97	0.97	7.22	-0.90	9.28	8.60	-29.46

● Total System	2.34 (35)	4.67 (35)	-2.29 (82)	8.45 (21)	6.09 (13)	13.50 (30)	-0.42 (84)	14.95 (12)	25.76 (6)	-28.73 (87)
∞ Board of Ed Policy Benchmark	1.86 (67)	5.28 (11)	-2.20 (80)	8.74 (13)	6.90 (10)	14.05 (17)	0.47 (60)	13.45 (48)	25.88 (5)	-29.46 (95)

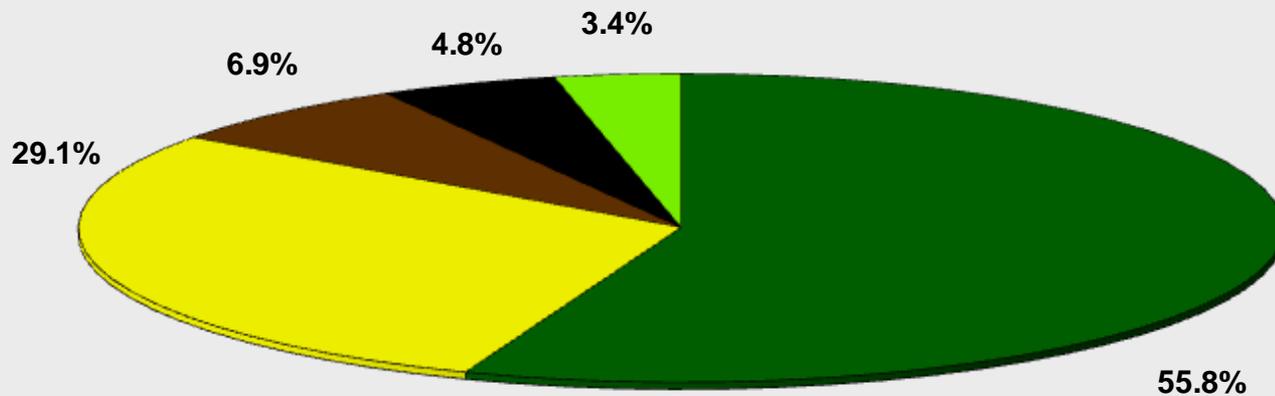
**New York City**  
**Board of Education Retirement System**

**Equity Analysis**

## Total Equity Asset Allocation: December 31, 2012

**\$2.2B** Under Management, **68%** of Total Funds

Asset Allocation by Groups

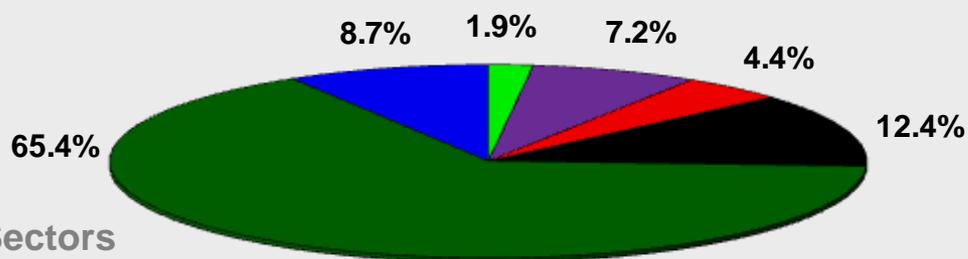


■ Domestic Equity ■ EAFE Mkts ■ Emerging Mkts ■ Private Equity ■ Private Real Estate

## Total Domestic Equity Asset Allocation: Quarter Ending December 31, 2012

**\$1.2B** Under Management, **38%** of Total Funds

### Asset Allocation by Groups



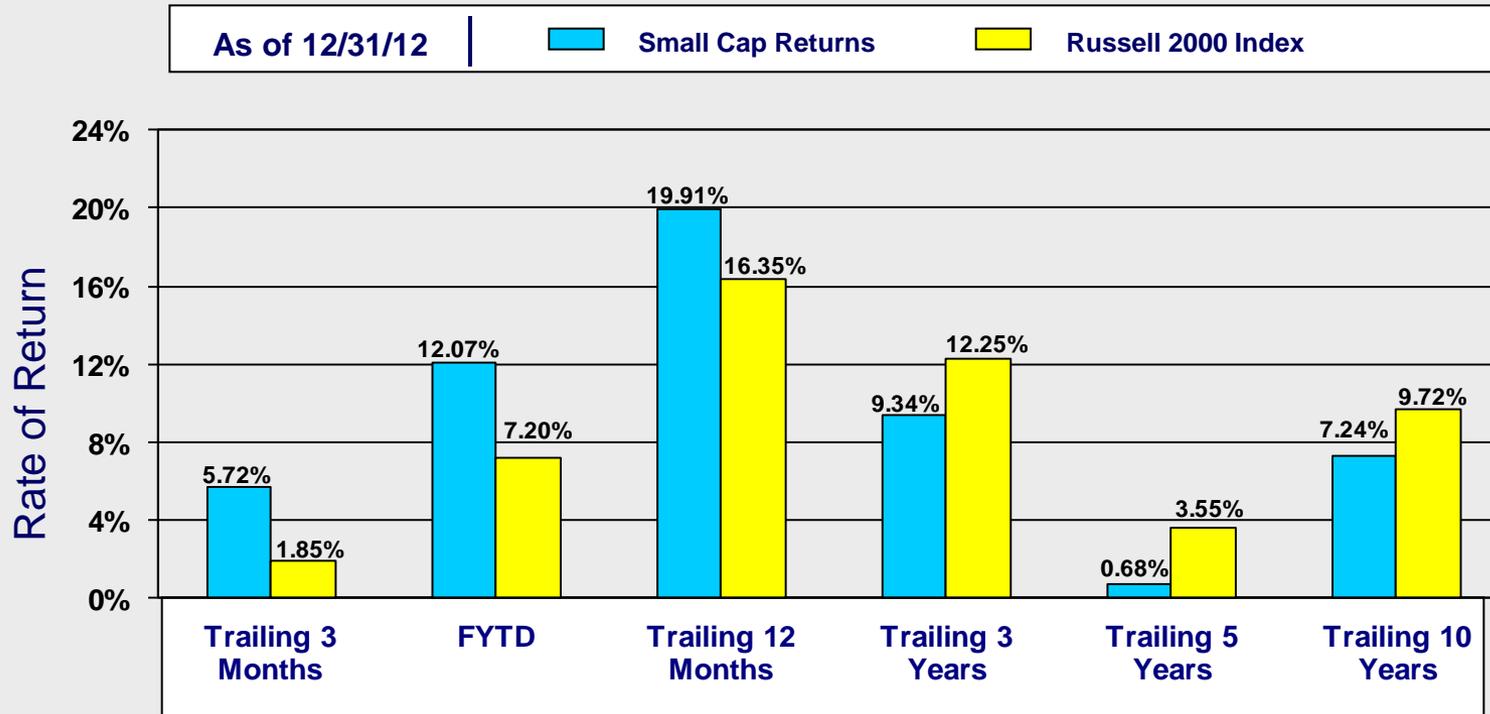
### Value Added by Sectors

■ Small Cap Active   
 ■ Mid Cap Active   
 ■ Mid Cap S&P 400 Index   
 ■ Russell 1000 Active   
 ■ Russell 3000 Index Funds   
 ■ Manager of Managers

Sub Sector	Policy Weight	Actual Weight	Under/Over Weight	Index Return	Actual Return	Difference	Contribution to Out/Under Performance	
							Allocation	Management
Small Cap Active	2.83	1.90	-0.93	1.85	5.72	3.87	-0.01	0.07
Mid Cap Active	7.25	7.15	-0.10	3.61	2.04	-1.57	-0.11	-0.11
Mid Cap S&P 400 Index	3.75	4.42	0.67	3.61	3.60	-0.01	0.13	0.00
Russell 1000 Active	11.25	12.40	1.15	0.12	0.73	0.61	-0.01	0.07
Russell 3000 Index Funds	67.42	65.44	-1.98	0.25	0.27	0.02	0.01	0.01
Manager of Managers	7.50	8.69	1.19	0.25	1.52	1.27	0.00	0.11

# Small Cap Returns vs Russell 2000 Index

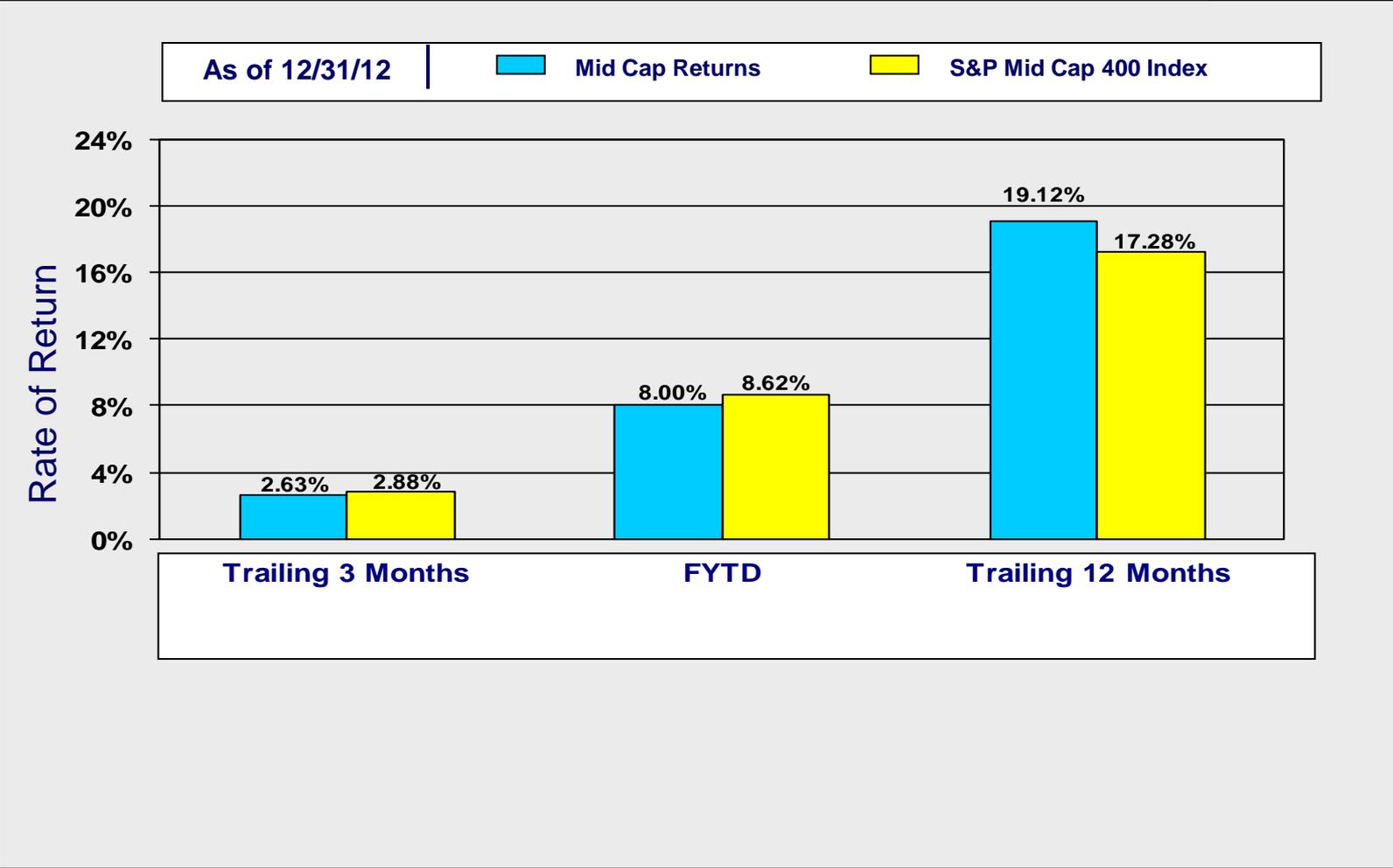
**\$23M** Under Management, **1%** of Total Funds



	3 Years	5 Years	10 Years
Plan Std Dev	21.2	24.1	19.5
Benchmark Std Dev	20.2	24.4	20.0

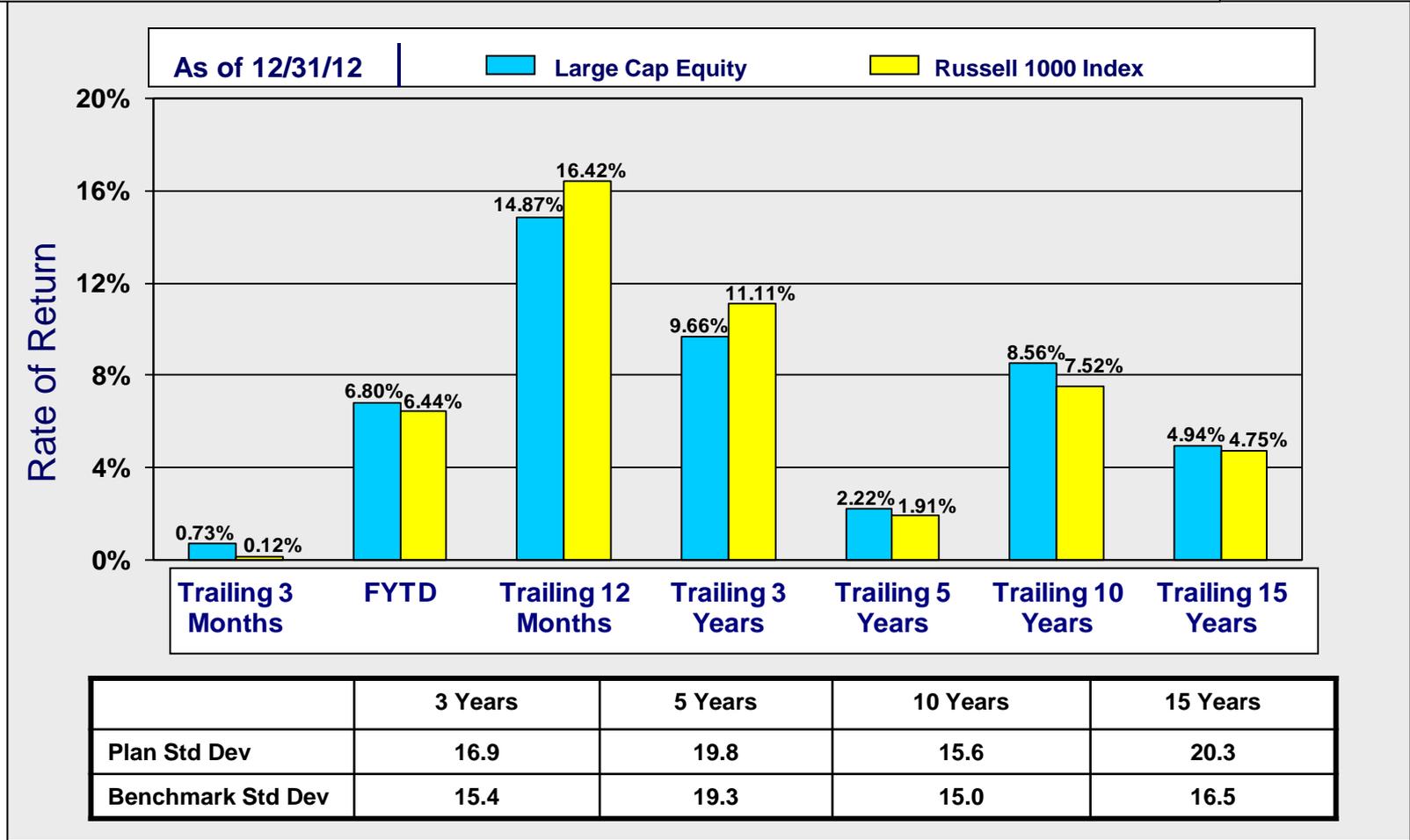
# Mid Cap Returns vs Russell MidCap Index

**\$141M** Under Management, **4%** of Total Funds



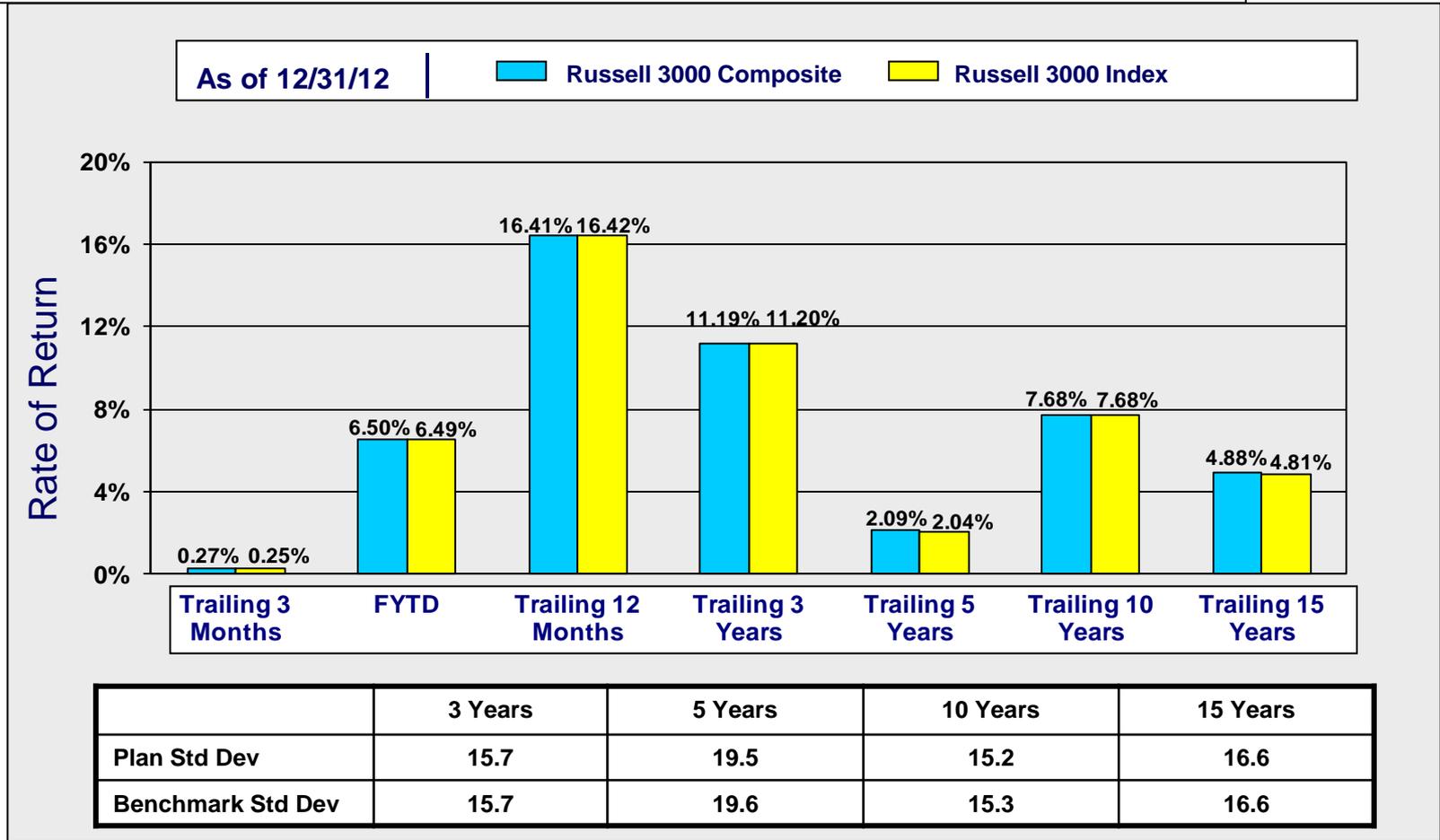
# Large Cap Returns vs Russell 1000 Index

**\$151M** Under Management, **5%** of Total Funds



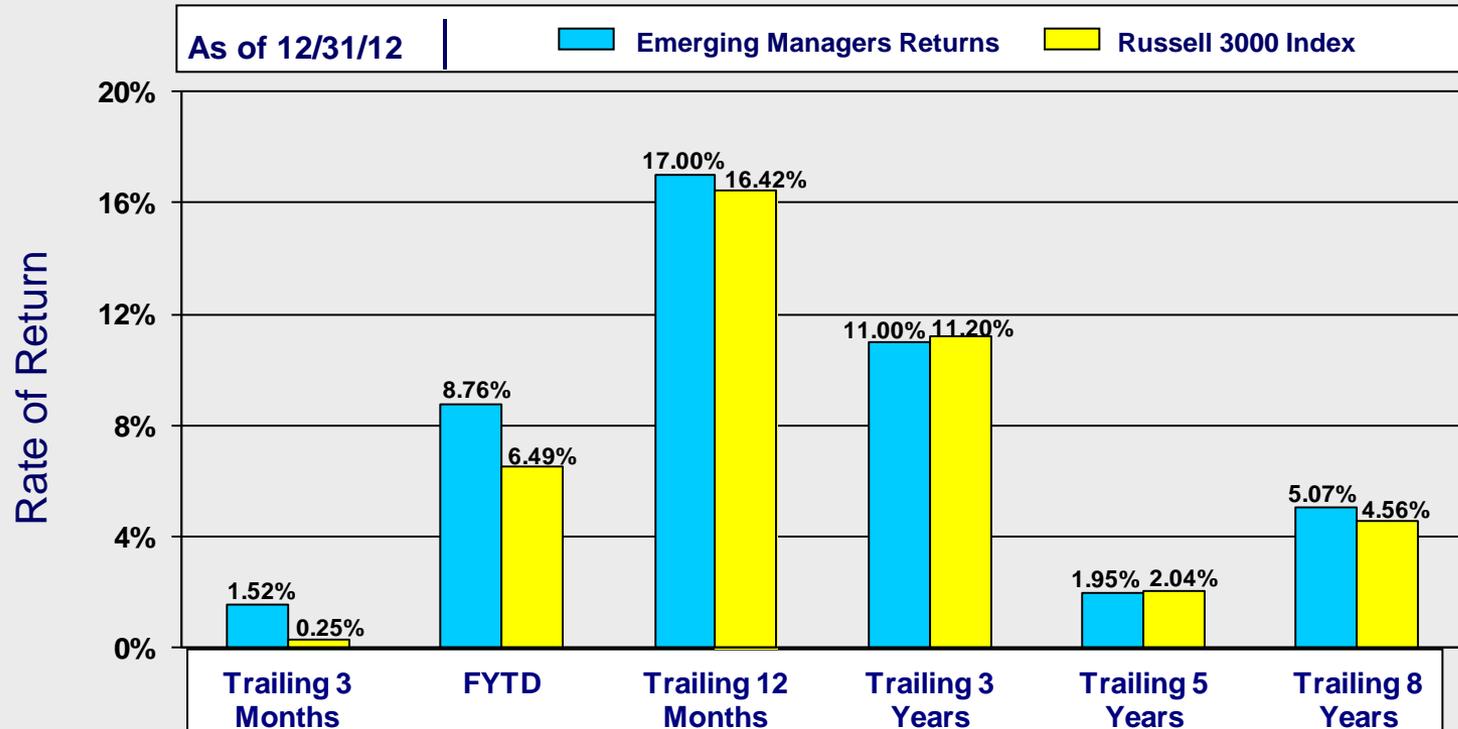
# Russell 3000 Passive Returns vs Russell 3000 Index

**\$797M** Under Management, **25%** of Total Funds



# Emerging Managers Returns vs Russell 3000 Index

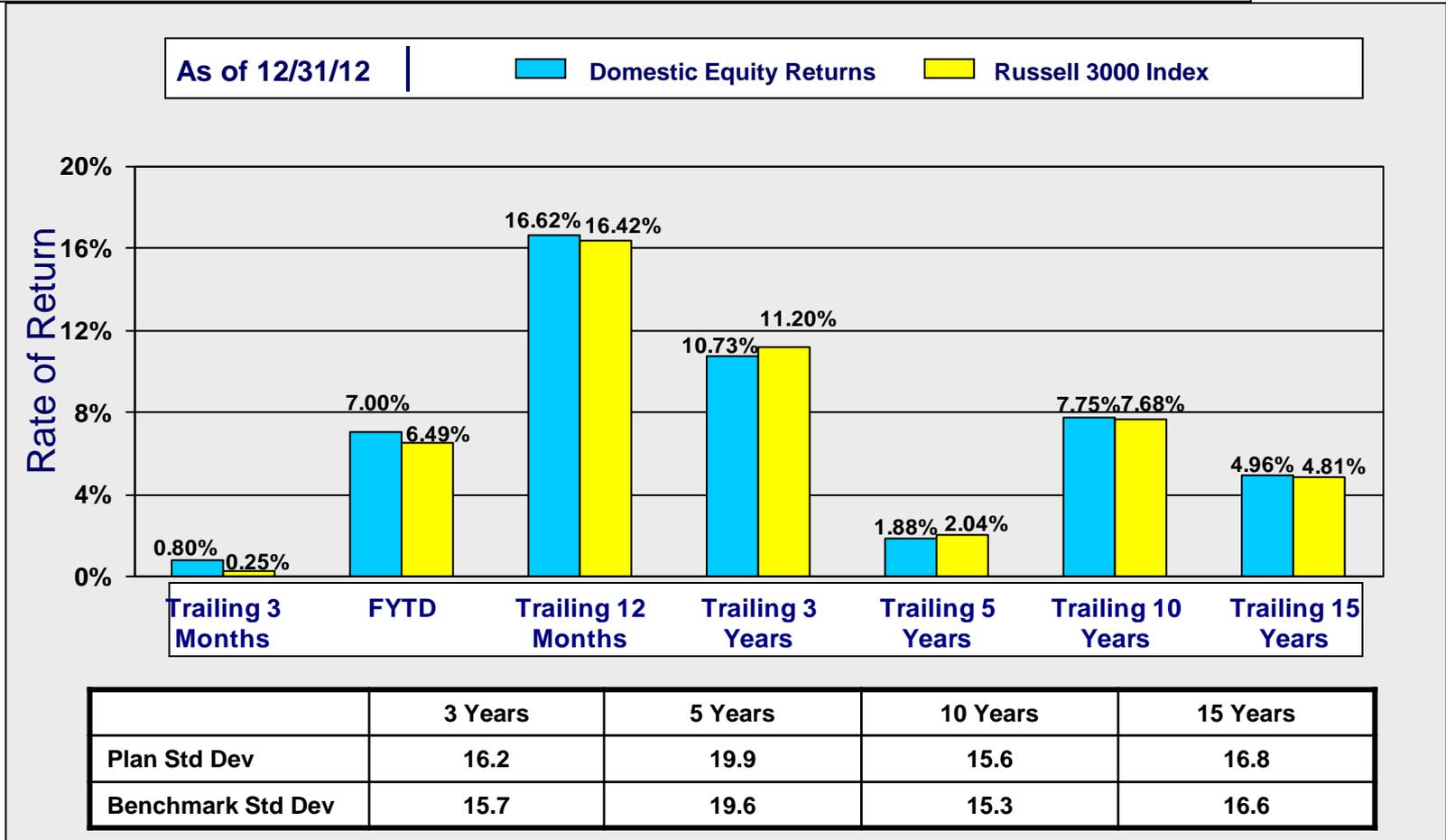
**\$106M** Under Management, **3%** of Total Funds



	3 Years	5 Years	8 Years
Plan Std Dev	17.4	20.8	17.4
Benchmark Std Dev	15.7	19.6	16.3

# Total Domestic Equity Returns vs Russell 3000 Index

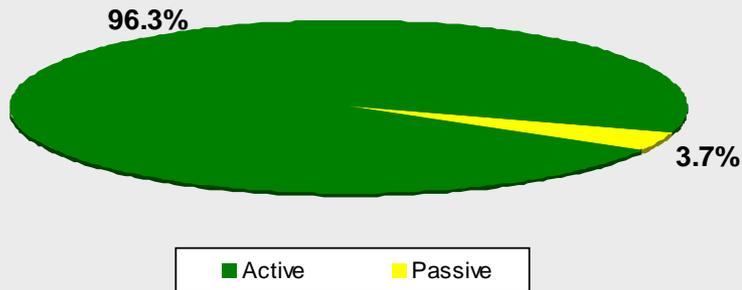
**\$1B** Under Management, **38%** of Total Funds



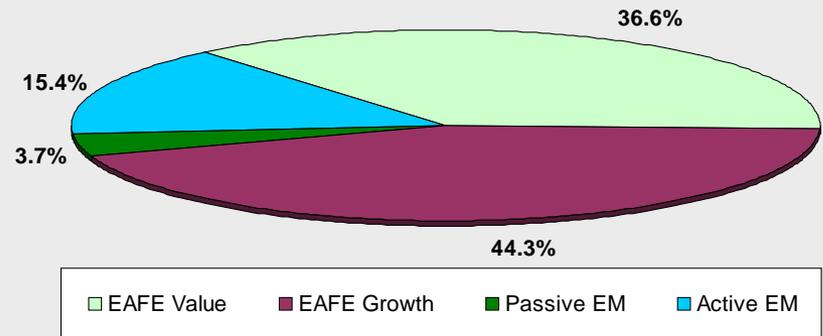
# International Equity Asset Allocation: December 31, 2012

**\$787M** Under Management, **24%** of Total Funds

Asset Allocation by Groups



Asset Allocation by Style

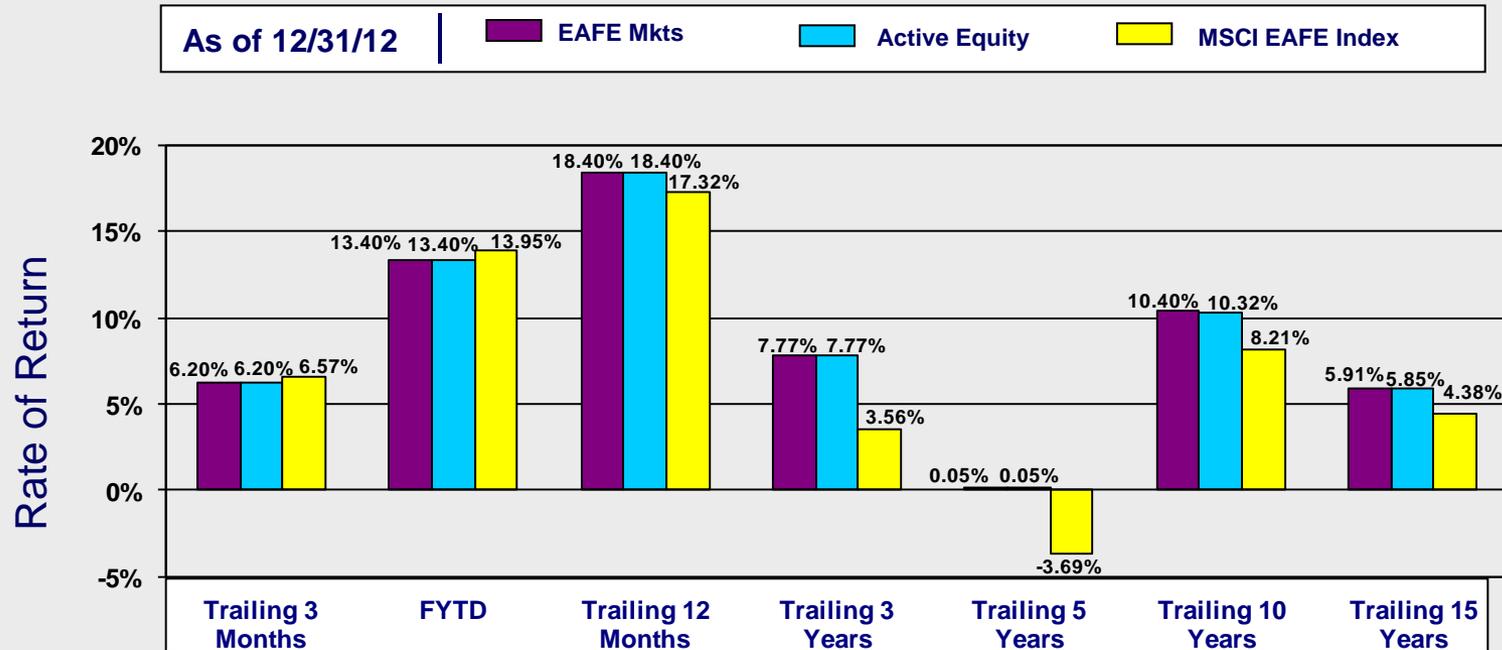


Value Added by Sectors

Sub Sector	Policy Weight	Actual Weight	Under/Over Weight	Index Return	Actual Return	Difference	Contribution to Out/Under Performance	
							Allocation	Management
EAFE Growth		44.34		5.79	6.47	0.68		0.28
EAFE Value		36.55		7.44	5.87	-1.56		-0.50
ACTIVE EM		15.37		5.61	7.99	2.38		0.38
PASSIVE EM		3.74		5.61	5.53	-0.08		0.00

# EAFE Markets Returns vs MSCI EAFE Index

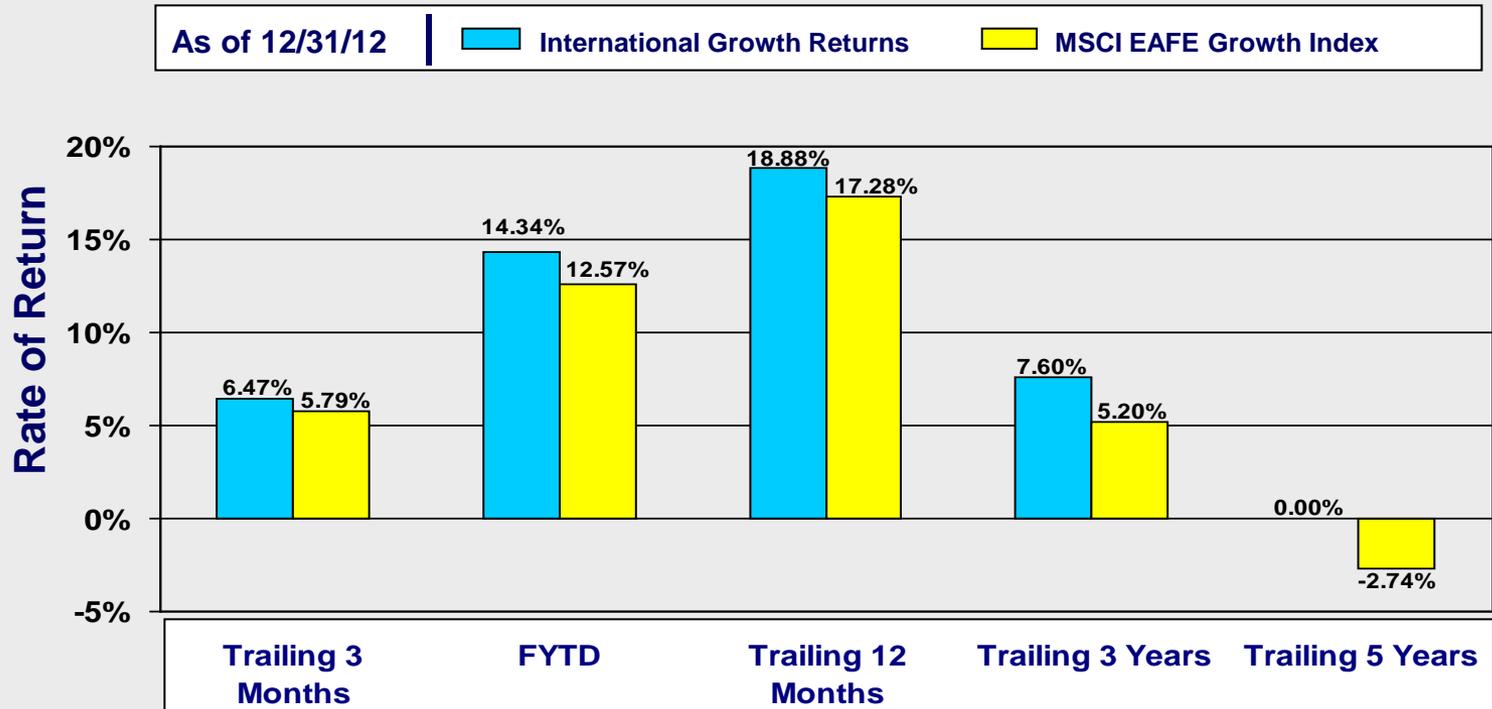
**\$636M** Under Management, **20%** of Total Funds



	3 Years	5 Years	10 Years	15 Years
EAFE Plan Std Dev	19.3	23.3	18.4	18.2
Active Plan Std Dev	19.3	23.3	18.4	18.4
Benchmark Std Dev	19.4	23.3	18.4	18.0

# International Growth Returns vs MSCI EAFE Growth Index

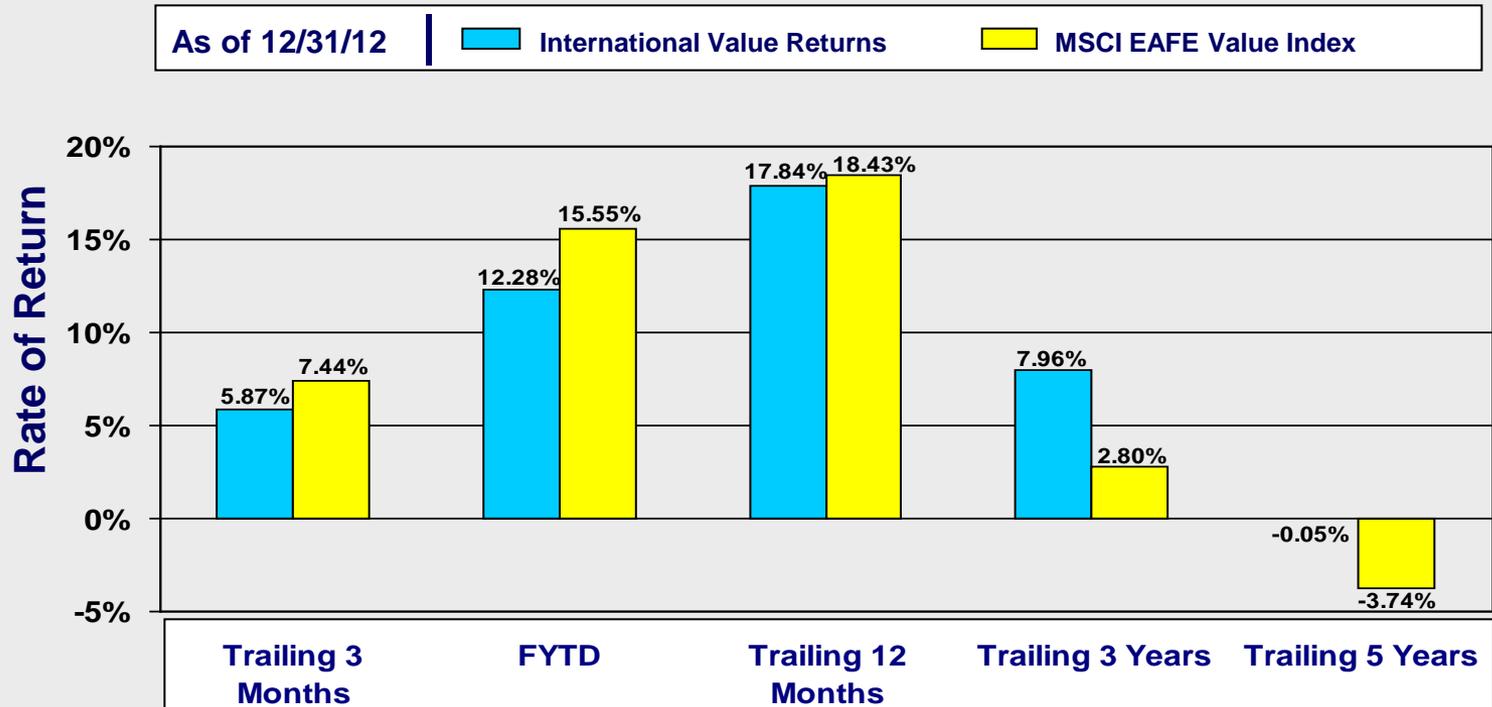
**\$349M** Under Management, **11%** of Total Funds



	3 Years	5 Years
Plan Std Dev	20.7	25.4
Benchmark Std Dev	18.8	22.4

# International Value Returns vs MSCI EAFE Value Index

**\$287M** Under Management, **9%** of Total Funds



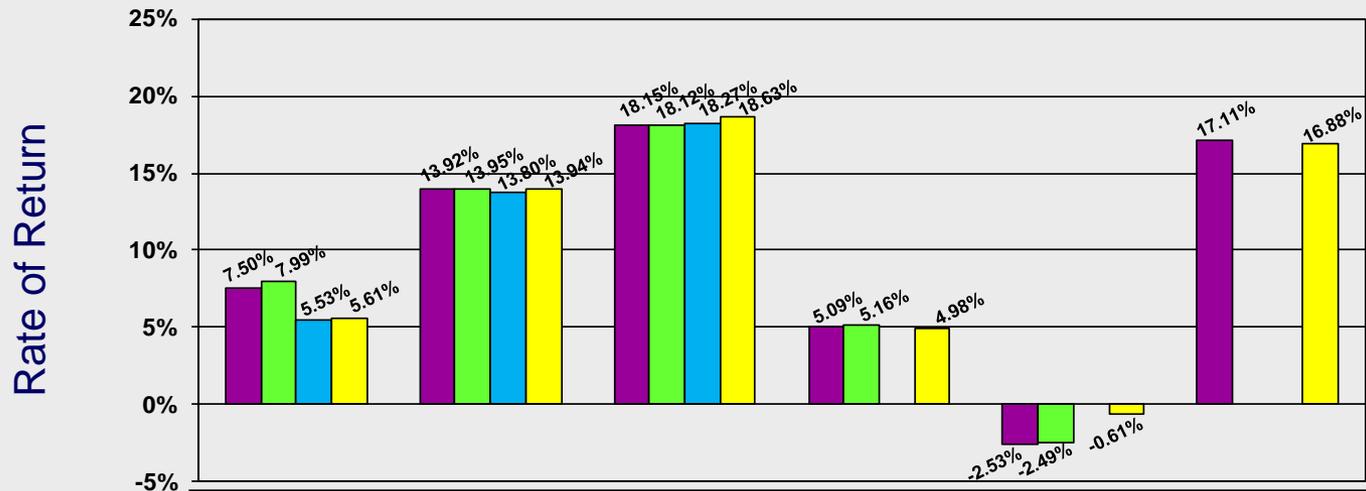
	3 Years	5 Years
Plan Std Dev	17.8	21.3
Benchmark Std Dev	20.2	24.7

# Emerging Markets Returns vs MSCI Emerging Markets Index

**\$150M** Under Management, **5%** of Total Funds

As of 12/31/12

■ Emerging Mkts Returns 
 ■ Active Equity 
 ■ Passive Equity 
 ■ MSCI Emerging Mkts Index



■ Emerging Mkts Returns 
 ■ Active Equity 
 ■ Passive Equity 
 ■ MSCI Emerging Mkts Index

	3 Years	5 Years	10 Years
Plan Std Dev	22.3	29.0	24.1
Active Plan Std Dev	22.4	29.1	****
Passive Plan Std Dev	****	****	****
Benchmark Std Dev	21.5	28.8	24.0

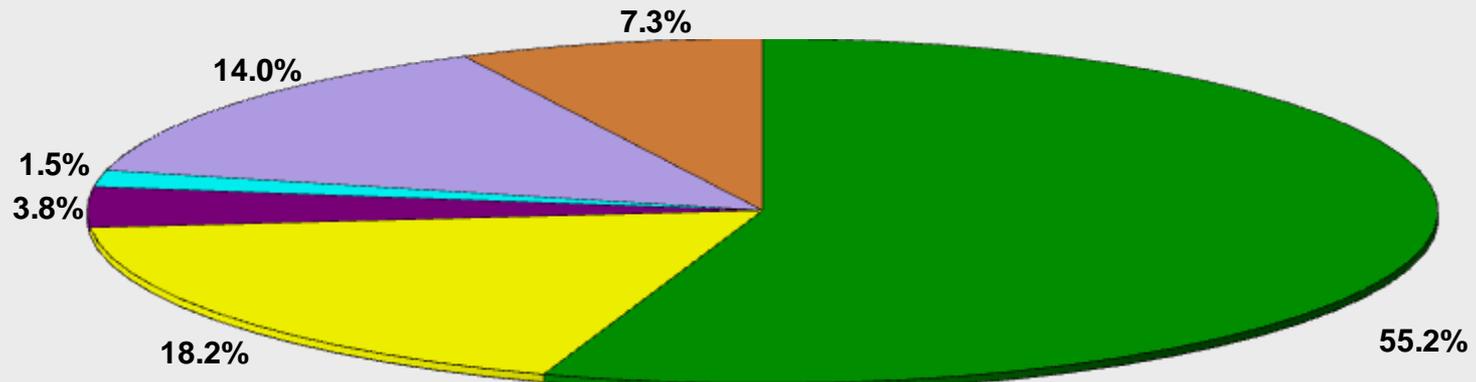
**New York City**  
**Board of Education Retirement System**

**Fixed Income Analysis**

## Total Fixed Income Asset Allocation: December 31, 2012

**\$1B** Under Management, **32%** of Total Funds

Asset Allocation by Groups



■ Structured Fixed Income   ■ Enhanced Yield   ■ Short Term Investments   ■ ETI   ■ Tips Managers   ■ Bank Loans

# Structured Fixed Income Asset Allocation: Quarter Ending December 31, 2012

**\$578M** Under Management, **18%** of Total Funds

## Asset Allocation by Groups



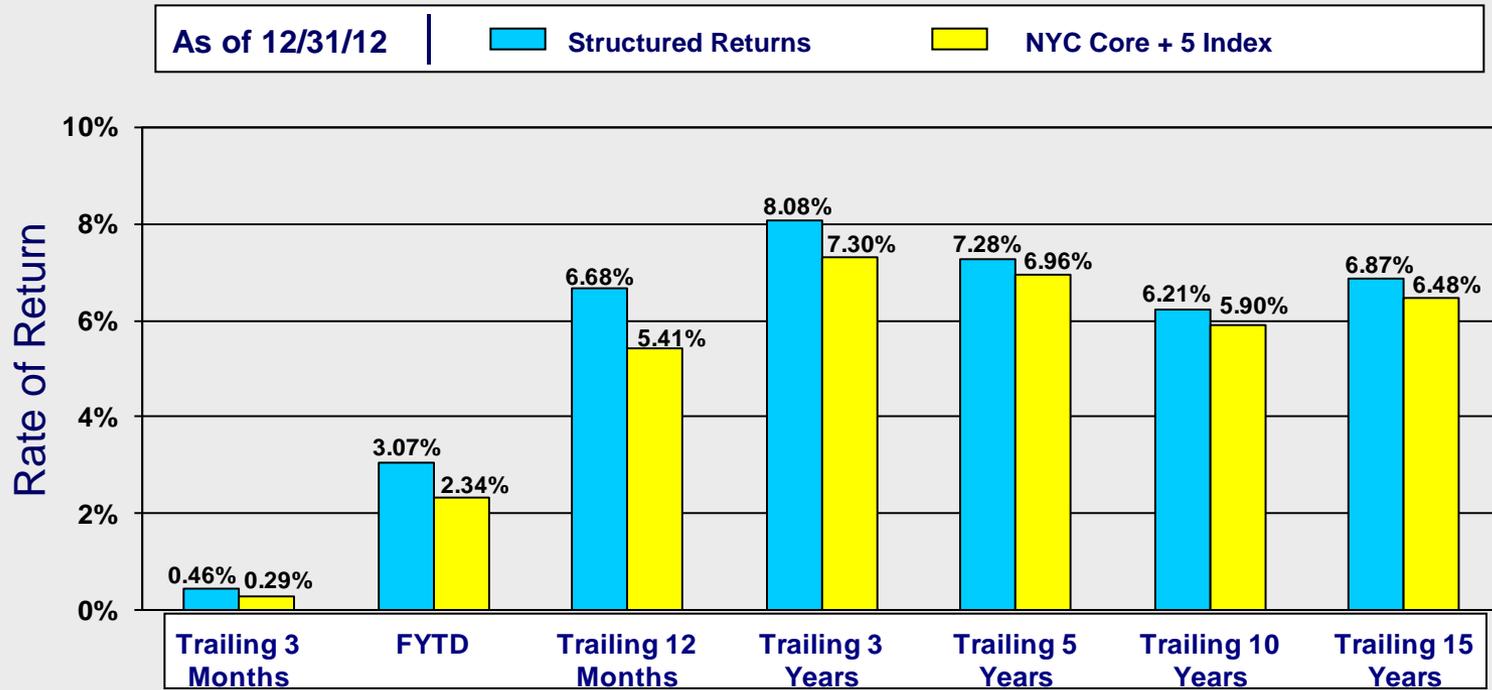
## Asset Allocation by Sectors

Sub Sector	Policy Weight	Actual Weight	Under/Over Weight	Index Return	Actual Return	Difference	Contribution to Out/Under Performance	
							Allocation	Management
Treasury/Agency	19.93	16.03	-3.90	-0.26	-0.19	0.07	0.01	0.01
Mortgage	40.06	42.08	2.02	-0.22	-0.18	0.05	-0.01	0.02
Credit	40.01	41.89	1.88	1.09	1.42	0.33	0.01	0.13

\*NYC Core +5 Breakdown

# Structured Returns vs NYC Core + 5 Index

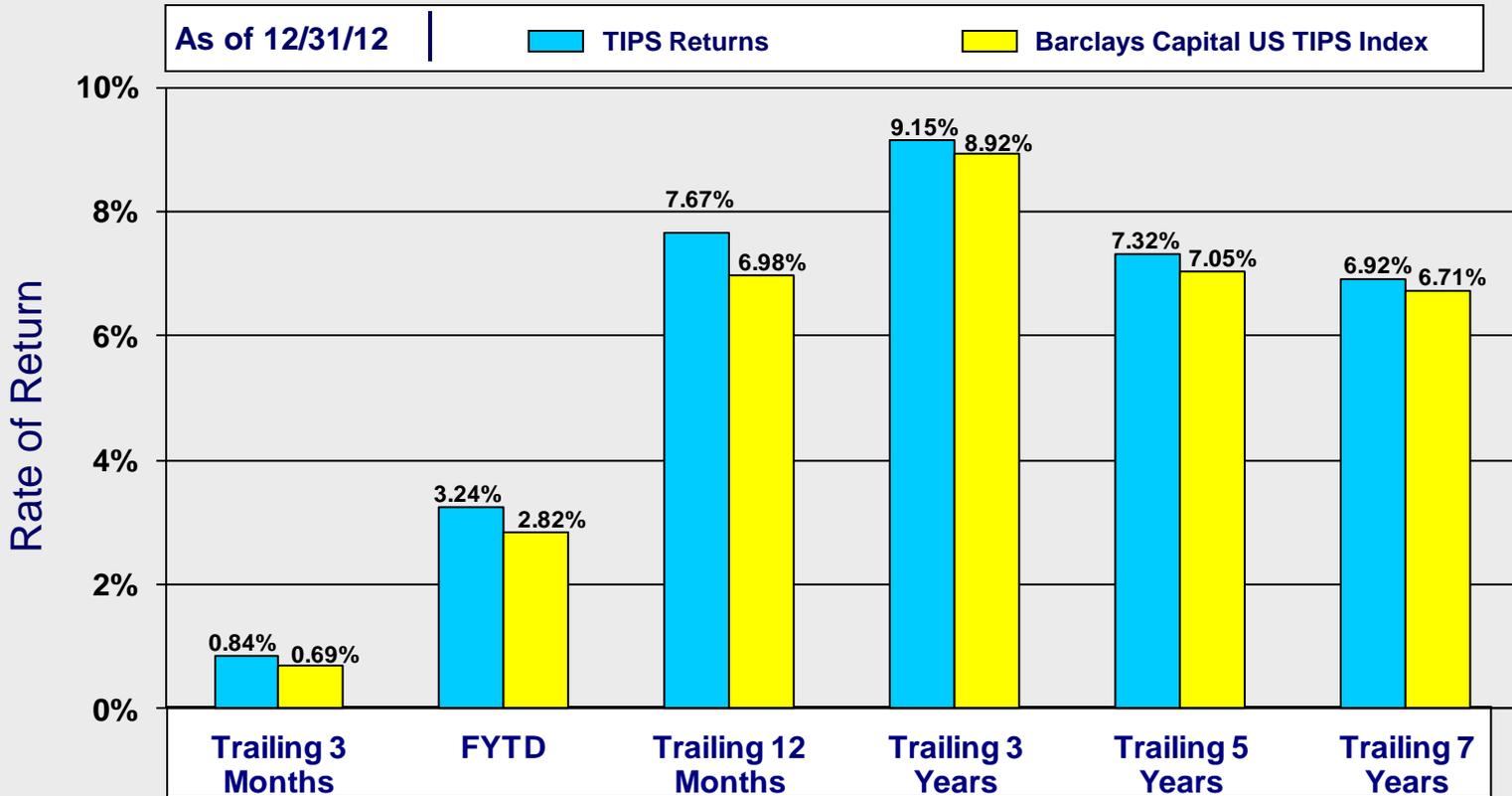
**\$578M** Under Management, **18%** of Total Funds



	3 Years	5 Years	10 Years	15 Years
Plan Std Dev	2.7	4.2	4.0	3.9
Benchmark Std Dev	2.9	4.4	4.2	4.0

# TIPS Returns vs Barclays Capital US TIPS Index

**\$146M** Under Management, **5%** of Total Funds

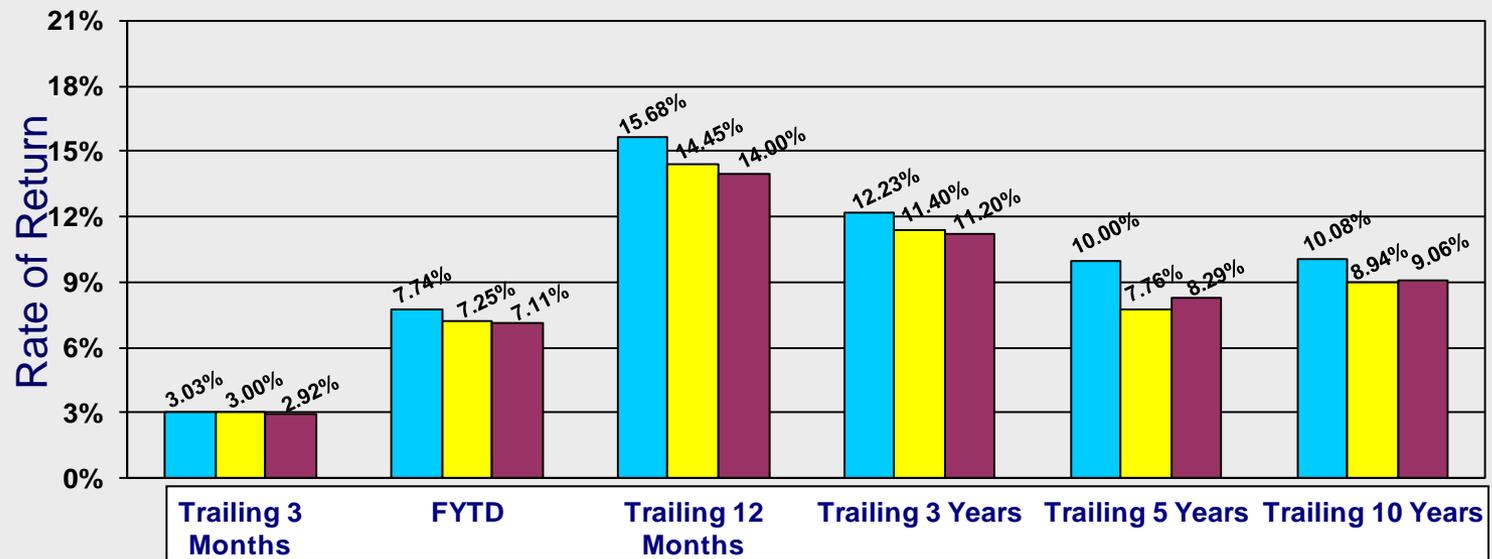


	3 Years	5 Years	7 Years
Plan Std Dev	4.2	7.5	6.8
Benchmark Std Dev	4.4	7.3	6.6

## Enhanced Yield Returns vs Citigroup BB & B Index & Citigroup BB & B Capped Index

**\$190M** Under Management, **6%** of Total Funds

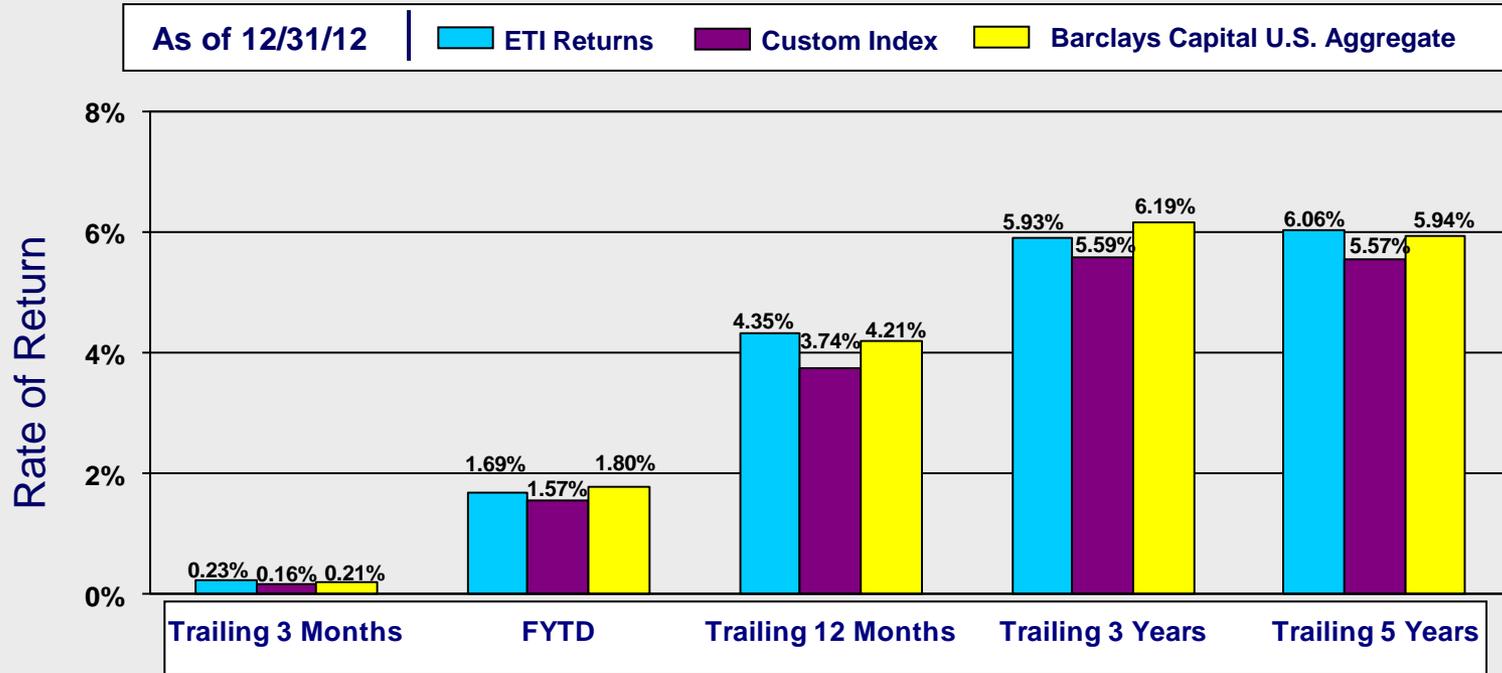
As of 12/31/12 | ■ Enhanced Yield ■ Citigroup BB& B Index ■ Citigroup BB& B Capped Index



	3 Years	5 Years	10 Years
Plan Std Dev	6.6	11.3	8.8
Citigroup BB&B	6.1	11.7	9.0
Citigroup BB&B Capped	5.9	11.4	8.8

# ETI Returns vs Custom Index & Barclays Capital U.S. Aggregate

**\$16.1M** Under Management, **0.51%** of Total Funds



	3 Years	5 Years
Plan Std Dev	1.8	2.6
Custom Index Std Dev	2.1	2.9
BC US Aggreg Std Dev	2.4	3.5

Note: Returns (shown net of fees) and Market Value do not include cash

**New York City**  
**Board of Education Retirement System**

# Appendix

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# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
		<b>EQUITY MANAGEMENT</b>							
		<b>SMALL CAP</b>							
23.20	0.72	DARUMA -SCC	5.72	19.91	19.91	****	****	****	****
23.20	0.72	<b>TOTAL SMALL CAP CORE</b>	5.72	19.91	19.91	****	****	****	****
		RUSSELL 2000	1.85	16.35	16.35	12.25	3.55	9.72	5.89
		SMALL CAP CORE MEDIAN	3.01	16.29	16.29	12.43	4.45	11.06	9.14
23.20	0.72	<b>TOTAL SMALL CAP</b>	5.72	19.91	19.91	9.34	0.68	7.24	****
		RUSSELL 2000	1.85	16.35	16.35	12.25	3.55	9.72	****
87.06	2.70	WELLINGTON MID CAP	2.04	19.88	19.88	****	****	****	****
87.06	2.70	<b>TOTAL MID CAP CORE</b>	2.04	19.88	19.88	****	****	****	****
		S&P MIDCAP 400	3.61	17.88	17.88	****	****	****	****
53.83	1.67	STATE STREET GA S&P 400	3.60	17.89	17.89	****	****	****	****
53.83	1.67	<b>TOTAL MID CAP PASSIVE</b>	3.60	17.89	17.89	****	****	****	****
		S&P MIDCAP 400	3.61	17.88	17.88	****	****	****	****
140.89	4.36	<b>TOTAL MID CAP</b>	2.63	19.12	19.12	****	****	****	****
		RUSSELL MIDCAP	2.88	17.28	17.28	****	****	****	****
		<b>LARGE CAP</b>							
48.51	1.50	ZEVENBERGEN	-0.37	8.41	8.41	6.27	1.87	10.62	5.61
		RUSSELL 3000 GROWTH	-1.19	15.21	15.21	11.46	3.15	7.68	3.60
48.51	1.50	<b>TOTAL LARGE CAP GROWTH</b>	-0.37	8.41	8.41	5.08	0.73	7.56	4.30
		LARGE CAP GROWTH MEDIAN	-0.68	15.49	15.49	10.17	3.03	8.88	5.61
102.56	3.18	ARONSON JOHNSON	1.25	18.20	18.20	12.03	2.34	****	****
		RUSSELL 1000 VALUE	1.52	17.51	17.51	10.86	0.59	****	****
102.56	3.18	<b>TOTAL LARGE CAP VALUE</b>	1.25	18.20	18.20	12.03	2.34	****	****
		LARGE CAP VALUE MEDIAN	1.52	16.06	16.06	10.16	1.35	****	****
151.07	4.68	<b>TOTAL LARGE CAP</b>	0.73	14.87	14.87	9.66	2.22	8.56	4.94
		RUSSELL 1000	0.12	16.42	16.42	11.11	1.91	7.52	4.75

# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
<b>PROGRESS MANAGERS</b>									
2.42	0.08	FAN ASSET MGMT -LCG	-1.77	13.97	13.97	9.40	1.72	7.44	****
12.80	0.40	JOHN HSU -LCC	2.79	15.62	15.62	9.29	1.99	10.51	****
20.26	0.63	HERNDON CAPITAL MGMT-LCV	0.00	17.91	17.91	12.68	5.95	****	****
3.84	0.12	HIGH POINTE LLC -LCG	-2.90	13.48	13.48	****	****	****	****
4.81	0.15	LOMBARDIA CAPITAL -SCV	2.06	11.71	11.71	12.59	7.16	****	****
4.08	0.13	NICHOLS ASSET MGMT -SCG	-0.81	14.71	14.71	****	****	****	****
13.59	0.42	REDWOOD INV -LCG	-4.41	14.66	14.66	****	****	****	****
15.24	0.47	SEIZERT CAPITAL PTNRS -LCV	6.96	22.48	22.48	****	****	****	****
77.05	2.39	<b>TOTAL PROGRESS</b>	0.81	16.87	16.87	10.16	1.95	8.05	****
		RUSSELL 3000	0.25	16.42	16.42	11.20	2.04	7.68	****
<b>F.I.S. MANAGEMENT</b>									
2.78	0.09	APEX SCG	2.68	****	****	****	****	****	****
6.70	0.21	CHANNING -SCV	8.47	22.42	22.42	****	****	****	****
1.79	0.06	CUPPS CAPITAL SCG	-4.71	12.66	12.66	12.56	****	****	****
1.12	0.03	EUDAIMONIA -MICRO CG	0.32	17.64	17.64	12.64	****	****	****
3.06	0.09	HUBER CAP MGMT -SCV	6.85	30.86	30.86	****	****	****	****
3.26	0.10	NICHOLAS SCG	-3.23	****	****	****	****	****	****
0.00	0.00	OAKBROOK -SCC	0.00	-0.56	-0.56	7.48	****	****	****
5.72	0.18	OPUS SCV	4.24	****	****	****	****	****	****
4.40	0.14	PUNCH SCC	3.30	****	****	****	****	****	****
28.84	0.89	<b>TOTAL F.I.S FUND MGMT</b>	3.48	17.35	17.35	13.42	1.94	****	****
		RUSSELL 2000	1.85	16.35	16.35	12.25	3.55	****	****
105.89	3.28	<b>TOTAL EMERGING MANAGERS</b>	1.52	17.00	17.00	11.00	1.95	****	****
		RUSSELL 3000	0.25	16.42	16.42	11.20	2.04	****	****

# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
		<b>RUSSELL 3000</b>							
797.13	24.68	BLACKROCK R3000	0.27	16.41	16.41	11.19	2.09	7.67	****
797.13	24.68	<b>TOTAL RUSSELL 3000</b>	0.27	16.41	16.41	11.19	2.09	7.68	4.88
		RUSSELL 3000	0.25	16.42	16.42	11.20	2.04	7.68	4.81
367.23	11.37	<b>TOTAL ACTIVE DOMESTIC EQUITY</b>	1.57	16.91	16.91	9.91	1.59	8.11	3.82
850.96	26.35	<b>TOTAL PASSIVE DOMESTIC EQUITY</b>	0.48	16.50	16.50	11.13	2.06	7.65	5.21
1218.19	37.72	<b>TOTAL DOMESTIC EQUITY</b>	0.80	16.62	16.62	10.73	1.88	7.75	4.96
		<b>INTERNATIONAL EQUITY</b>							
		<b>DEVELOPED MARKETS</b>							
348.73	10.80	BAILLIE	6.47	18.88	18.88	7.60	0.00	****	****
		MSCI EAFE GROWTH	5.79	17.28	17.28	5.20	-2.74	****	****
287.33	8.90	SPRUCEGROVE	5.87	17.84	17.84	7.96	-0.05	****	****
		MSCI EAFE VALUE	7.44	18.43	18.43	2.80	-3.74	****	****
636.21	19.70	<b>TOTAL ACTIVE DEVELOPED MARKETS</b>	6.20	18.40	18.40	7.77	0.05	10.32	5.85
636.21	19.70	<b>TOTAL DEVELOPED MARKETS</b>	6.20	18.40	18.40	7.77	0.05	10.40	5.91
		MSCI EAFE (NET DIVIDEND)	6.57	17.32	17.32	3.56	-3.69	8.21	4.38
		INTERNATIONAL EQUITY MEDIAN	6.12	19.48	19.48	5.67	-1.59	9.87	7.17
		<b>EMERGING MARKETS</b>							
120.90	3.74	STATE STREET EMGERING MARKETS	7.99	18.12	18.12	5.16	-2.49	****	****
120.90	3.74	<b>TOTAL ACTIVE EMERGING MARKETS</b>	7.99	18.12	18.12	5.16	-2.49	****	****
		MSCI EMERGING MARKET FREE	5.61	18.63	18.63	4.98	-0.61	****	****
29.45	0.91	BLACKROCK EMERGING MARKETS	5.53	18.27	18.27	****	****	****	****
29.45	0.91	<b>TOTAL PASSIVE EMERGING MARKETS</b>	5.53	18.27	18.27	****	****	****	****
		MSCI EMERGING MARKET FREE	5.61	18.63	18.63	****	****	****	****
150.35	4.66	<b>TOTAL EMERGING MARKETS</b>	7.50	18.15	18.15	5.09	-2.53	17.11	9.59
		MSCI EMERGING MARKET FREE	5.61	18.63	18.63	4.98	-0.61	16.88	9.24
		EMERGING MARKET MEDIAN	6.10	20.02	20.02	6.46	1.11	17.83	10.92
786.56	24.36	<b>TOTAL INTERNATIONAL EQUITY</b>	6.45	18.36	18.36	7.25	-0.52	11.59	6.39

# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
		<b>PRIVATE EQUITY INVESTMENTS</b>							
13.30	0.41	FAIRVIEW PRIVATE EQUITY FD	****	****	****	****	****	****	****
51.64	1.60	MESIROW PTNRS FD III	****	****	****	****	****	****	****
17.70	0.55	MESIROW PTNRS FD IV	****	****	****	****	****	****	****
16.54	0.51	MESIROW PTNRS FD V	****	****	****	****	****	****	****
5.22	0.16	WARBURG PINCUS XI	****	****	****	****	****	****	****
104.41	3.23	<b>TOTAL PRIVATE EQUITY</b>	<b>2.37</b>	<b>7.70</b>	<b>7.70</b>	<b>13.40</b>	<b>3.95</b>	<b>****</b>	<b>****</b>
		<b>PRIVATE REAL ESTATE</b>							
1.11	0.03	BROOKFIELD STRATEGIC RE PTNRS	****	****	****	****	****	****	****
5.77	0.18	FRANKIN TEMPLETON FD	****	****	****	****	****	****	****
16.63	0.51	LASALLE US PROPERTY FD	****	****	****	****	****	****	****
50.40	1.56	UBS TRUMBULL PROPERTY FD	****	****	****	****	****	****	****
73.91	2.29	<b>TOTAL PRIVATE REAL ESTATE</b>	<b>3.48</b>	<b>14.30</b>	<b>14.30</b>	<b>****</b>	<b>****</b>	<b>****</b>	<b>****</b>
2183.07	67.60	<b>TOTAL EQUITY - PUBLIC &amp; PRIVATE</b>	<b>2.95</b>	<b>16.72</b>	<b>16.72</b>	<b>9.60</b>	<b>1.12</b>	<b>8.86</b>	<b>5.45</b>

# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
		<b>FIXED INCOME MANAGEMENT</b>							
		<b>GOVERNMENT</b>							
92.64	2.87	STATE STREET	-0.19	3.95	3.95	10.30	8.27	6.74	7.39
92.64	2.87	<b>ALL TREASURY / AGENCY</b>	-0.19	3.95	3.95	10.30	8.27	6.57	7.25
		NYC - TREASURY AGENCY PLUS 5	-0.26	3.84	3.84	10.34	8.13	6.61	7.29
		<b>MORTGAGE</b>							
243.13	7.53	PIMCO	-0.18	4.48	4.48	6.19	6.40	5.68	6.52
		CITIGROUP MORTGAGE INDEX	-0.22	2.60	2.60	4.81	5.72	5.13	5.88
		<b>CREDIT</b>							
130.14	4.03	PRUDENTIAL CREDIT	1.03	9.51	9.51	8.74	****	****	****
15.00	0.46	PRUDENTIAL PRIVEST	****	****	****	****	****	****	****
96.87	3.00	TAPLIN, CANIDA	1.96	11.51	11.51	9.92	7.93	6.76	7.12
242.02	7.49	<b>ALL INVESTMENT GRADE CREDIT</b>	1.42	10.36	10.36	9.23	7.56	6.58	6.93
		NYC - INVESTMENT GRADE CREDIT	1.09	9.52	9.52	8.56	7.39	6.17	6.48
577.79	17.89	<b>TOTAL STRUCTURED</b>	0.46	6.68	6.68	8.08	7.28	6.21	6.87
		NYC - CORE PLUS FIVE	0.29	5.41	5.41	7.30	6.96	5.90	6.48
		<b>ACTIVE TIPS MANAGERS</b>							
145.90	4.52	PIMCO-TIPS-MTA	0.84	7.67	7.67	9.15	7.32	****	****
145.90	4.52	<b>TOTAL ACTIVE TIPS MANAGERS</b>	0.84	7.67	7.67	9.15	7.32	****	****
		BARCLAYS CAPITAL US TIPS INDEX	0.69	6.98	6.98	8.92	7.05	****	****
		<b>ENHANCED YIELD</b>							
100.77	3.12	LOOMIS SAYLES & CO	3.28	17.52	17.52	13.39	11.14	11.31	8.34
		BofA(ML-MST II 7-03/BB&B PRIOR)	3.18	15.58	15.58	11.59	10.01	10.30	7.15
89.35	2.77	SHENKMAN ENHANCED YIELD	2.74	****	****	****	****	****	****
190.12	5.89	<b>ALL ENHANCED YIELD</b>	3.03	15.68	15.68	12.23	10.00	10.08	6.52
		CITIGROUP BB & B	3.00	14.45	14.45	11.40	7.76	8.94	6.27
		CITIGROUP BB & B CAPPED	2.92	14.00	14.00	11.20	8.29	9.06	****
		ENHANCED YIELD MEDIAN	2.94	14.39	14.39	11.18	9.31	9.50	8.27

# Consolidated Performance Report

Through December 31, 2012

Assets (\$MM)	% Total		3 Mos Oct-12 Dec-12	YTD Jan-12 Dec-12	1 Yr Jan-12 Dec-12	3 Yrs Jan-10 Dec-12	5 Yrs Jan-08 Dec-12	10 Yrs Jan-03 Dec-12	15 Yrs Jan-98 Dec-12
		<b>BANK LOANS</b>							
76.36	2.36	BABSON BL MTA	****	****	****	****	****	****	****
76.36	2.36	<b>TOTAL BANK LOANS</b>	****	****	****	****	****	****	****
		CREDIT SUISSE LEVERAGED LOAN INDEX	1.51	9.43	9.43	7.00	4.80	5.53	4.93
		<b>ETI</b>							
2.78	0.09	ACCESS/RBC	0.16	4.15	4.15	5.42	6.64	****	****
11.78	0.36	AFL-CIO HOUSING INV TRUST	0.11	4.27	4.27	6.09	5.96	****	****
0.12	0.00	CFSB-PPAR	2.56	8.16	8.16	8.01	7.86	****	****
0.28	0.01	CCD-PPAR	2.48	11.40	11.40	9.48	9.51	****	****
0.17	0.01	LIIF-PPAR	2.27	6.84	6.84	5.37	****	****	****
0.07	0.00	NCBCI-PPAR	2.44	9.46	9.46	7.33	****	****	****
0.93	0.03	CPC TERM LOAN	0.61	2.51	2.51	2.22	2.73	****	****
16.13	0.50	<b>TOTAL ETI (WITH CASH)</b>	0.23	4.29	4.29	5.70	5.90	4.86	5.00
		BERS CUSTOM ETI INDEX (NO CASH)	0.16	3.74	3.74	5.59	5.57	****	****
		BARCLAYS CAPITAL AGGREGATE	0.21	4.21	4.21	6.19	5.94	5.18	5.96
1045.93	32.39	<b>TOTAL FIXED INCOME</b>	1.05	7.31	7.31	7.97	7.09	6.48	6.57
0.38	0.01	SECURITIES LENDING	****	****	****	****	****	****	****
39.56	1.23	SHORT TERM INVESTMENTS	0.15	0.54	0.54	0.54	1.41	2.37	3.33
0.06	0.00	BNY - CD	****	****	****	****	****	****	****
3229.38	100.00	<b>TOTAL BOARD OF EDUCATION</b>	2.34	13.50	13.50	9.11	3.09	8.21	6.10
		BOARD OF ED POLICY BENCHMARK	1.86	14.05	14.05	9.00	2.88	8.01	5.77

# Actual And Estimated Fees

NEW YORK CITY BERS RETIREMENT SYSTEMS						
ACTUAL FEES FOR FISCAL YEAR ENDING JUNE 30, 2012 AND ESTIMATED FEES FOR FY 2013 UPDATED THROUGH SEPTEMBER 2012						
INVESTMENT STYLE (EQUITIES)	Actual 2012		Estimates 2013			
	MARKET VALUE 06-30-2012 (\$MM)	BASIS POINTS	MARKET VALUE 09-30-2012 (\$MM)	BASIS POINTS		
<b>US Equities</b>	<b>1,114</b>	<b>14.31</b>	<b>1,178</b>	<b>16.90</b>		
Small Cap Active	25	64.23	22	63.55		
Small Cap Growth	-	-	-	-		
Small Cap Value	-	-	-	-		
Small Cap core	25	64.23	22	63.55		
Small Cap Fundamental Index	-	-	-	-		
Small/Mid Cap Active	-	-	-	-		
Small/Mid Cap Growth	-	-	-	-		
Small/Mid Cap Value	-	-	-	-		
Mid Cap Active	82	55.04	86	57.64		
Mid Cap Growth	-	-	-	-		
Mid Cap Value	-	-	-	-		
Mid Cap core	82	55.04	86	57.64		
Large Cap Active	142	22.00	150	24.25		
Large Cap Growth	47	23.63	49	23.31		
Large Cap Value	95	21.19	101	24.70		
Large Cap Core	-	-	-	-		
Large Cap Fundamental Index	-	-	-	-		
Active Emerging Managers (U.S.)	97	66.38	104	92.53		
Total US Active Equities	345	45.37	362	54.22		
Total US Passive Equities	769	0.36	816	0.36		
Opportunistic US Equity Strategies	-	-	-	-		
<b>International Equities</b>	<b>693</b>	<b>24.03</b>	<b>739</b>	<b>31.21</b>		
Active EAFE Equities	561	21.18	599	27.95		
Growth	305	20.36	328	27.07		
Value	256	22.15	271	29.00		
Core	-	-	-	-		
Opportunistic-Non US Equity Strategies	-	-	-	-		
Active Emerging Markets	106	43.44	112	55.00		
Total Int'l Active Equities	667	24.72	711	32.21		
Total Int'l Passive Equities	26	6.33	28	5.73		
REITS Passive Index	-	-	-	-		

## Actual And Estimated Fees

NEW YORK CITY BERS RETIREMENT SYSTEMS ACTUAL FEES FOR FISCAL YEAR ENDING JUNE 30, 2012 AND ESTIMATED FEES FOR FY 2013 UPDATED THROUGH SEPTEMBER 2012						
Actual 2012			Estimates 2013			
INVESTMENT STYLE (FIXED INCOME)	MARKET VALUE 06-30-2012 (\$MM)	BASIS POINTS	MARKET VALUE 09-30-2012 (\$MM)	BASIS POINTS		
<b>Fixed Income</b>	<b>981</b>	<b>9.82</b>	<b>1,073</b>	<b>13.56</b>		
Structured Program	546	8.55	560	6.66		
Government Sector	92	4.51	93	5.00		
Mortgage Sector	239	11.35	244	6.10		
Investment Grade Credit Sector	215	7.17	224	7.95		
Global Fixed Income	-	-	-	-		
Progress Fixed Emerging Managers	-	-	-	-		
TIPS	73	10.16	145	10.00		
Active TIPS	73	10.16	145	10.00		
Passive TIPS	-	-	-	-		
Opportunistic Fixed Income	-	-	-	-		
Enhanced Yield	176	20.82	185	32.81		
Bank Loans	-	-	75	36.11		
Convertible Bonds	-	-	-	-		
Targeted - Access Voyageur	3	26.75	3	27.90		
Targeted - AFL-CIO	12	41.41	12	44.00		
Other ETI Programs	2	-	2	-		
In-House Short Term	170	0.00	92	0.00		
<b>Total Public Markets</b>	<b>2,789</b>	<b>15.15</b>	<b>2,990</b>	<b>19.24</b>		
<b>INVESTMENT STYLE (PRIVATE)</b>						
Hedge Funds	-	-	-	-		
Private Equity Investments *	97	115.60	100	132.57		
Private Real Estate Investments	63	106.62	68	108.36		
<b>Total Private Markets</b>	<b>160</b>	<b>112.05</b>	<b>169</b>	<b>122.27</b>		
<b>Total Overall</b>	<b>2,949</b>	<b>20.41</b>	<b>3,158</b>	<b>24.77</b>		
* Private Equity Investments exclude GP CARRY						

## Securities Lending Income

Through December 31, 2012

	U.S. <u>FIXED INCOME</u>	U.S. <u>EQUITY</u>	INTERNATIONAL <u>EQUITY</u>
1989*	\$70,000	--	--
1990	79,000	--	--
1991	111,000	--	--
1992	122,000	\$11,000	--
1993	79,000	32,000	\$15,000
1994	93,000	77,000	20,000
1995	112,000	93,000	12,000
1996	99,000	76,000	27,000
1997	101,000	126,000	40,000
1998	111,000	170,000	60,000
1999	159,000	263,000	100,000
2000	193,000	310,000	97,000
2001	295,000	208,000	159,000
2002	209,000	143,000	152,000
2003	153,000	158,000	195,000
2004	226,000	255,000	174,000
2005	384,000	479,000	217,000
2006	303,000	734,000	246,000
2007	593,000	1,208,000	272,000
2008	2,514,000	2,266,000	451,000
2009	698,000	1,416,000	367,000
2010	246,000	729,000	326,000
2011	340,000	943,000	599,000
2012	516,000	1,144,000	495,000
Since Inception	<u>\$7,806,000</u>	<u>\$10,841,000</u>	<u>\$4,024,000</u>

Note: Inception 4/89

## Footnotes

### Through December 31, 2012

- The Barclays Capital Aggregate (then known as the Lehman Brothers Aggregate) was used prior to 1/1/89. Effective 1/1/89, in the Government Sector, maturities of less than 5 years were dropped from the Salomon and Lehman indices. From that date until 7/1/99 the benchmark was the NYC Core + 5, from Lehman.
- Effective 7/1/94, the NYC Core + 5 Index includes BBB rated securities.
- Effective 7/1/99, the basis of the NYC Index was changed from Lehman Brothers to Salomon. Also effective 7/1/99, only Salomon indices have been used to compare all fixed income managers.
- Effective 4/1/03, the name of the benchmark provider was changed from Salomon to Citigroup.
- Effective 7/1/03, the “NYC-Loomis” benchmark index for the Loomis Sayles Enhanced Yield portfolio reflects a change from the Citigroup BB&B Index to the more appropriate BofA Merrill Lynch High Yield Master II Index.
- Effective 7/1/09, the Core+5 program was restructured.
  - The U.S. Gov’t sector benchmark Index was changed from the Citigroup Core+5 Treasury/Gov’t Sponsored Index to the Citigroup Core+5 Treasury/Agency Index.
  - The Corporate and Yankee sectors were combined to form the new Investment Grade Credit sector. The benchmark for the new combined sector is the customized Citigroup Credit Index. For historical performance purposes, the old Corporate sector Index is linked to the new Credit sector Index.
  - There were no changes to the Mortgage sector Index.
  - The total Core+5 results and benchmark returns combine the three sectors. Historical total Core+5 returns continue to include the old Corporate and Yankee sector returns.

# Glossary of Terms

## Through December 31, 2012

### **General Notes**

- All Returns are Gross of investment advisory fees unless otherwise indicated.

### **Page Specific**

#### **Page 18- Portfolio Asset Allocation**

- Rebalancing Ranges: the minimum and maximum weights that actual Asset Allocation may reach before rebalancing between Asset Classes is necessary.

# Glossary of Terms

## Through December 31, 2012

### **Page 19- Performance Attribution: Total Plan**

- Plan Return At Policy Weights: the return of the Total Plan assuming actual Asset Class results were maintained at target (Adjusted Policy) weights. *Figure = (Return of Asset Class 1 \* Target Weight) plus (Return Of Asset Class 2 \* Target Weight) plus (.....)*
- **Allocation Effect** = Total Plan Return minus Plan Return At Adjusted Policy Weights.
- **Management Effect** = Equal to the Custom Benchmark (Adjusted Policy Index) Return minus Plan Return at Adjusted Policy Weights. This illustrates how the Managers have added or removed value based on their Security Selection decisions.

- **Policy Index = Custom Benchmark**

*The “policy index” is a custom benchmark representing the weighted average return of the weighted benchmark indexes for each major investment program. Weights may reflect an adjustment of actual policy for outstanding commitments for new or revised programs, such as for private market programs, which are invested gradually, of for any new or updated program requiring the completion of RFPs and contracts. The policy index/custom benchmark is calculated monthly based on adjusted policy weights at the beginning of each month.*

*The indexes and most recent policy weights are as follows:*

*U.S. Equity: Russell 3000 \* 42.53%*

*International Developed (EAFE) Markets: MSCI EAFE \* 17%*

*International Emerging Markets: MSCI Emerging Markets \* 5%*

*Private Equity: Russell 3000 + 300 b.p. per annum \* 3.21%*

*Private Real Estate: NFI - ODCE Net \* 2.26%*

*Domestic Fixed Income: NYC Core +5 \* 17%*

*TIPS: Barclays Capital U.S. TIPS \* 5%*

*Enhanced Yield: Citigroup BB&B \* 5.50%*

*Bank Loans: Credit Suisse Leveraged Loan \* 2.50%*

# Glossary of Terms

## Through December 31, 2012

### **Page 23 - Management Effect - Asset Class Breakdown**

- This chart aims to break down the Management Effect shown on the Performance Attribution pages. The aim of the Page is to show the asset classes where Managers are either out performing or under performing their benchmark and to show the basis point effect that this is having on Plan performance.

### **Page 28- Domestic Equity Asset Allocation**

- **Value Added By Sectors:** This disaggregates out-performance or under-performance by Asset Allocation and Management Effect.
- **Implied Policy** = Retirement's System Asset Allocation.
- **Implied Return** = Benchmark Return
- **Allocation** = the Contribution to Performance resulting from an overweight or underweight to an asset class. *E.g. an underweight to an Asset Class that under-performs rests in a positive Allocation Effect and vice versa.*
- **Management** = Contribution to Performance from security selection versus the Benchmark, e.g., *If the managers Actual Returns are higher than the Implied Return there will be a positive Management Effect.*

### **Page 42 – Structured Fixed Income Asset Allocation**

- See Domestic Equity Asset Allocation for explanation

### **Page 46 – ETI Returns vs Custom Index and Barclays Capital U.S. Aggregate**

- ETI has implemented a Custom Benchmark to better track the performance of the individual ETI programs relative to their respective benchmarks. The Custom Benchmark represents the weighted average return of the individual benchmark indexes for each program, updated monthly. The indexes are as follows:
- AFL-CIO Housing Inv Trust: Barclays Capital U.S. Aggregate Bond Index
- CPC Term Loan: 30 Day Libor + 200 bps per annum (with a floor of 250 bps)
- PPAR: Citigroup GNMA + 65 bps per annum
- Access/RBC: 60% BofA Merrill Lynch 30 yr Mortgage Index plus 40% BofA Merrill Lynch US Treasury 1-10yr Index