

New York City

Police Officers' Variable Supplements Fund

Performance Overview as of September 30, 2012

Total Fund Overview

New York City Police Officers' Variable Supplements Fund

Table of Contents:

Equity Analysis



Fixed Income Analysis

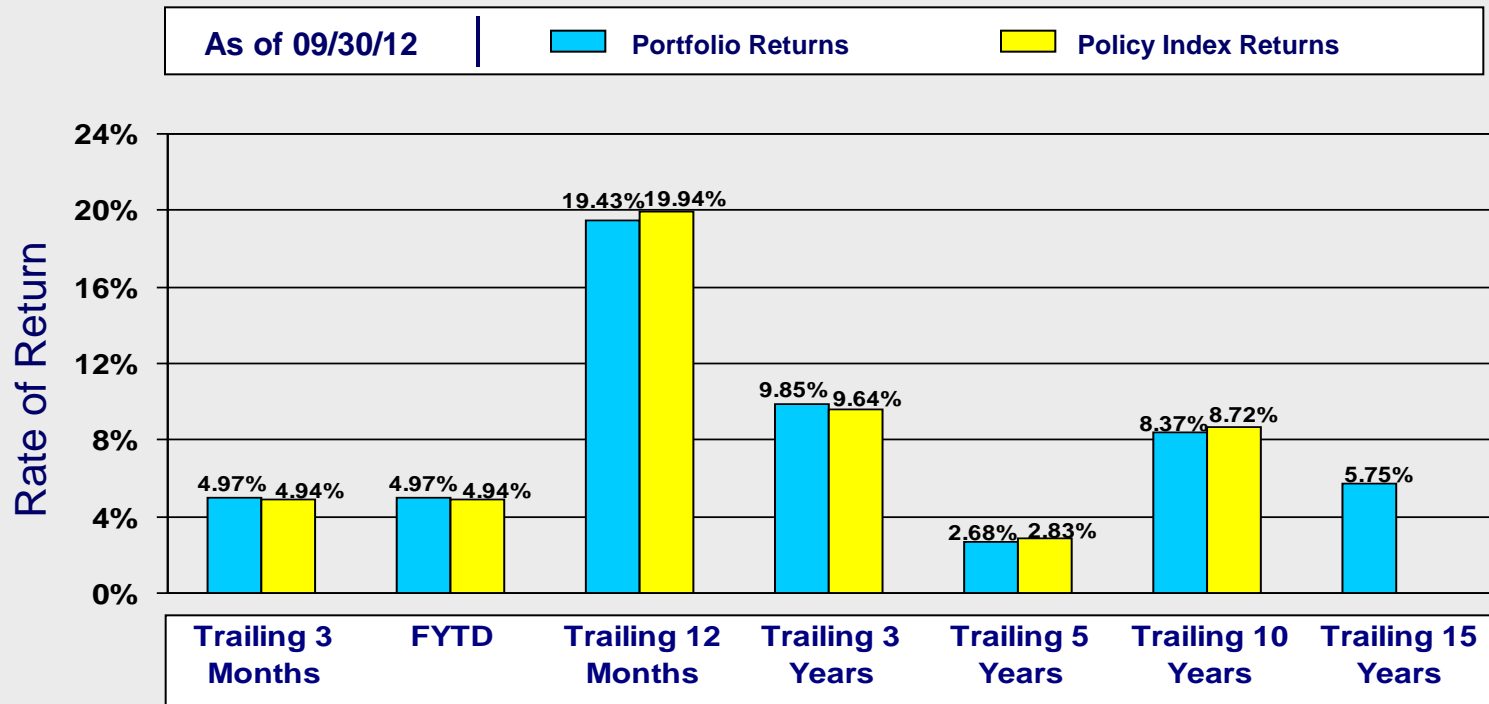


Appendix



Total Portfolio Returns: September 30, 2012

\$571M Under Management



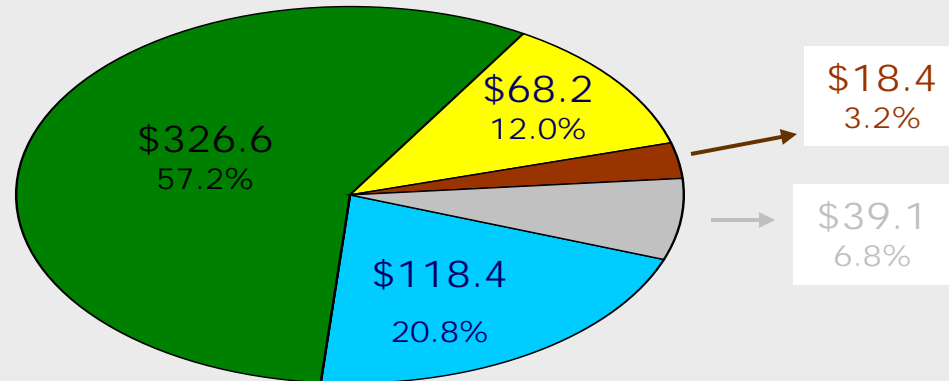
	3 Years	5 Years	10 Years	15 Years
Plan Std Dev	11.1	14.2	11.2	11.5
Benchmark Std Dev	11.5	14.9	11.7	****

All returns in the report are Gross, unless stated otherwise.

Portfolio Asset Allocation: September 30, 2012

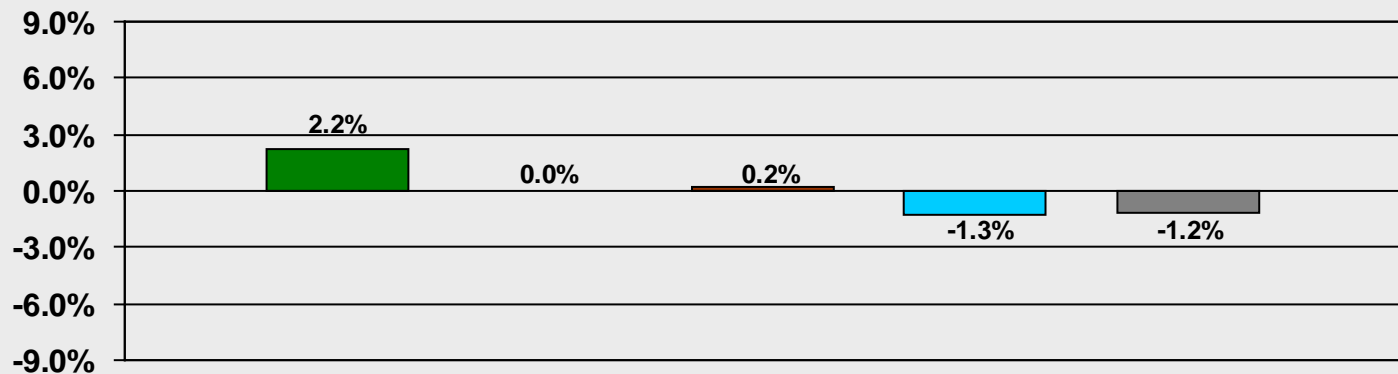
\$571M Under Management

Asset Allocation

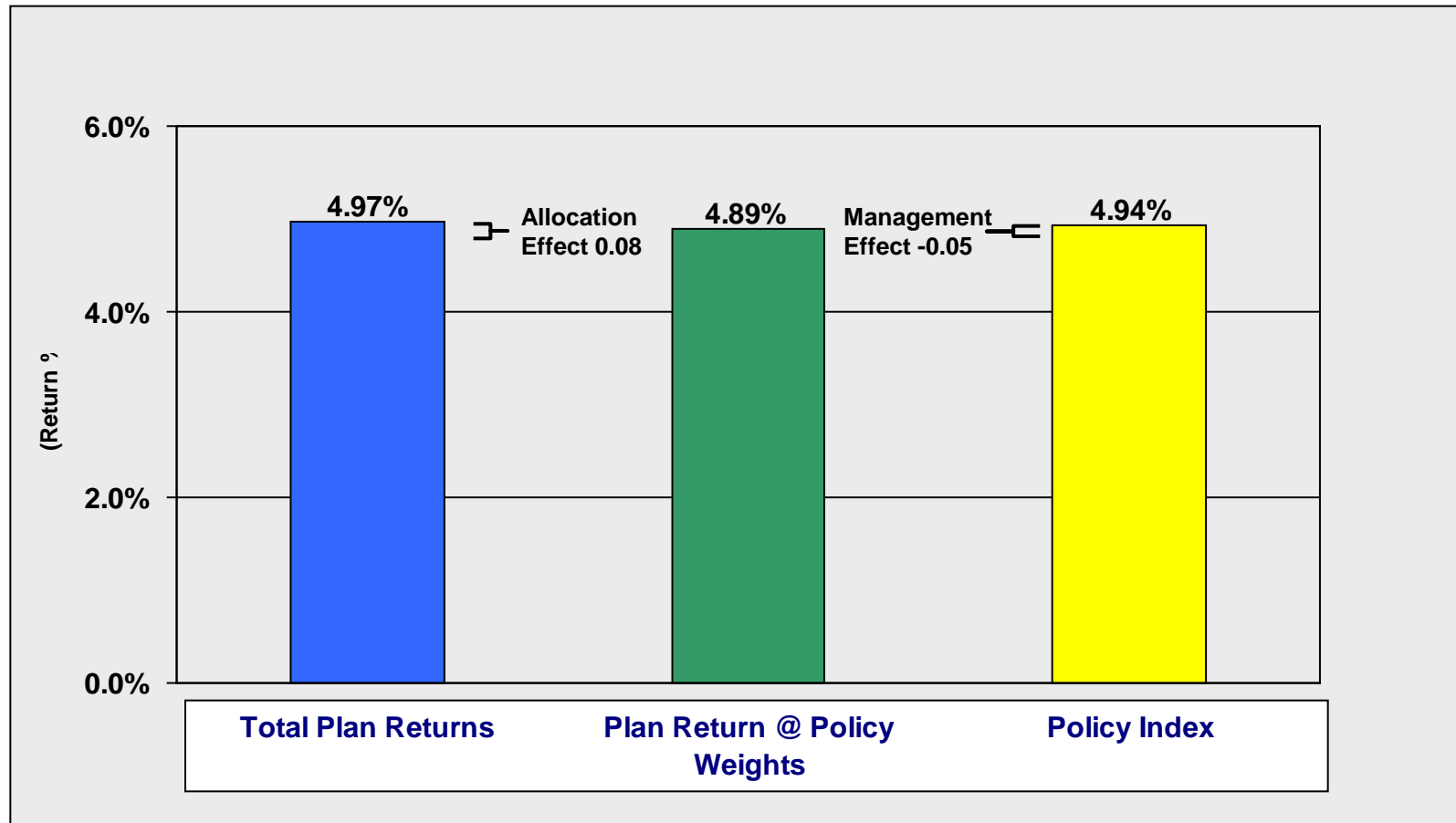


Domestic Equity EAFE Mkts Emerging Mkts Core+5 Cash

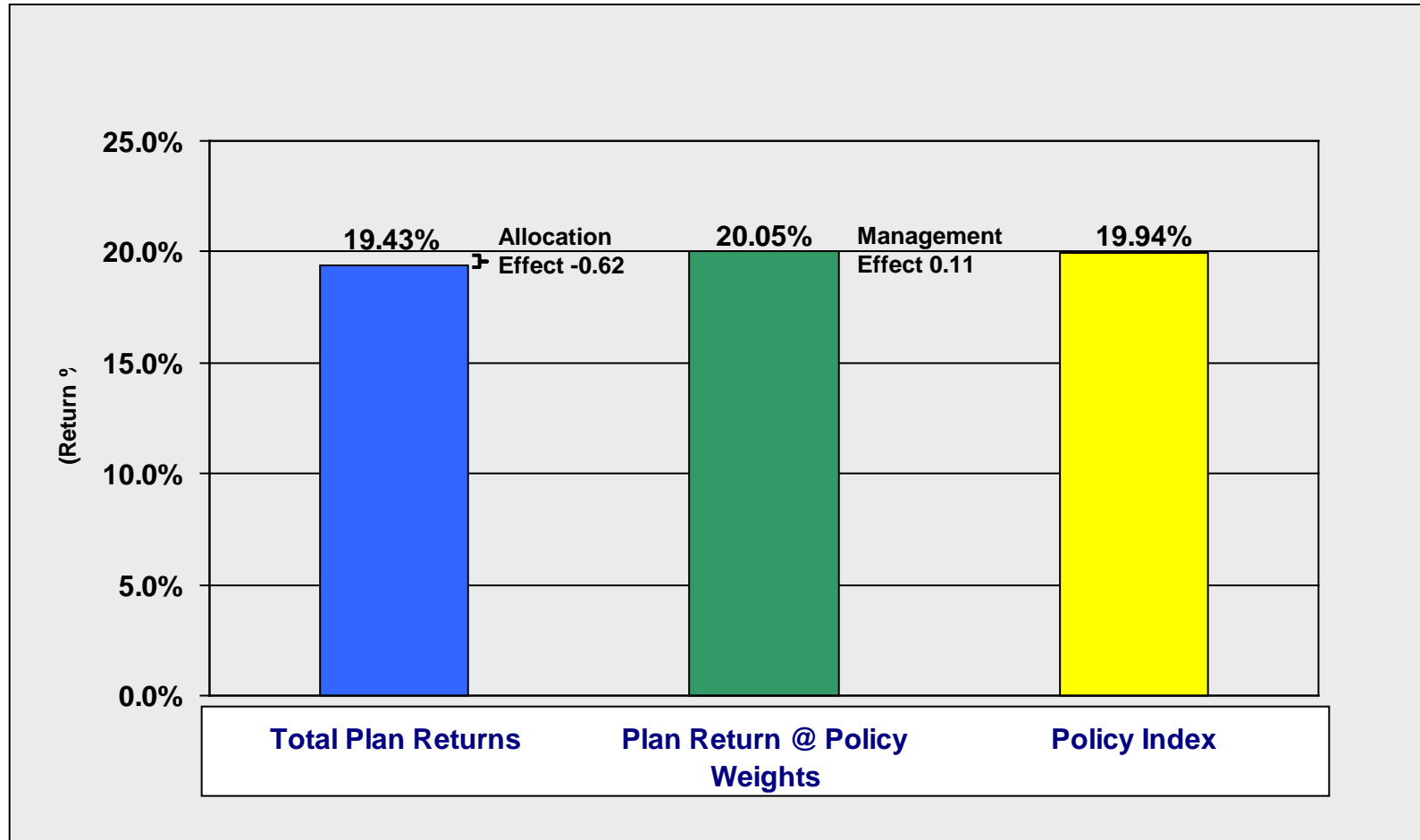
Relative Mix to Policy Weights



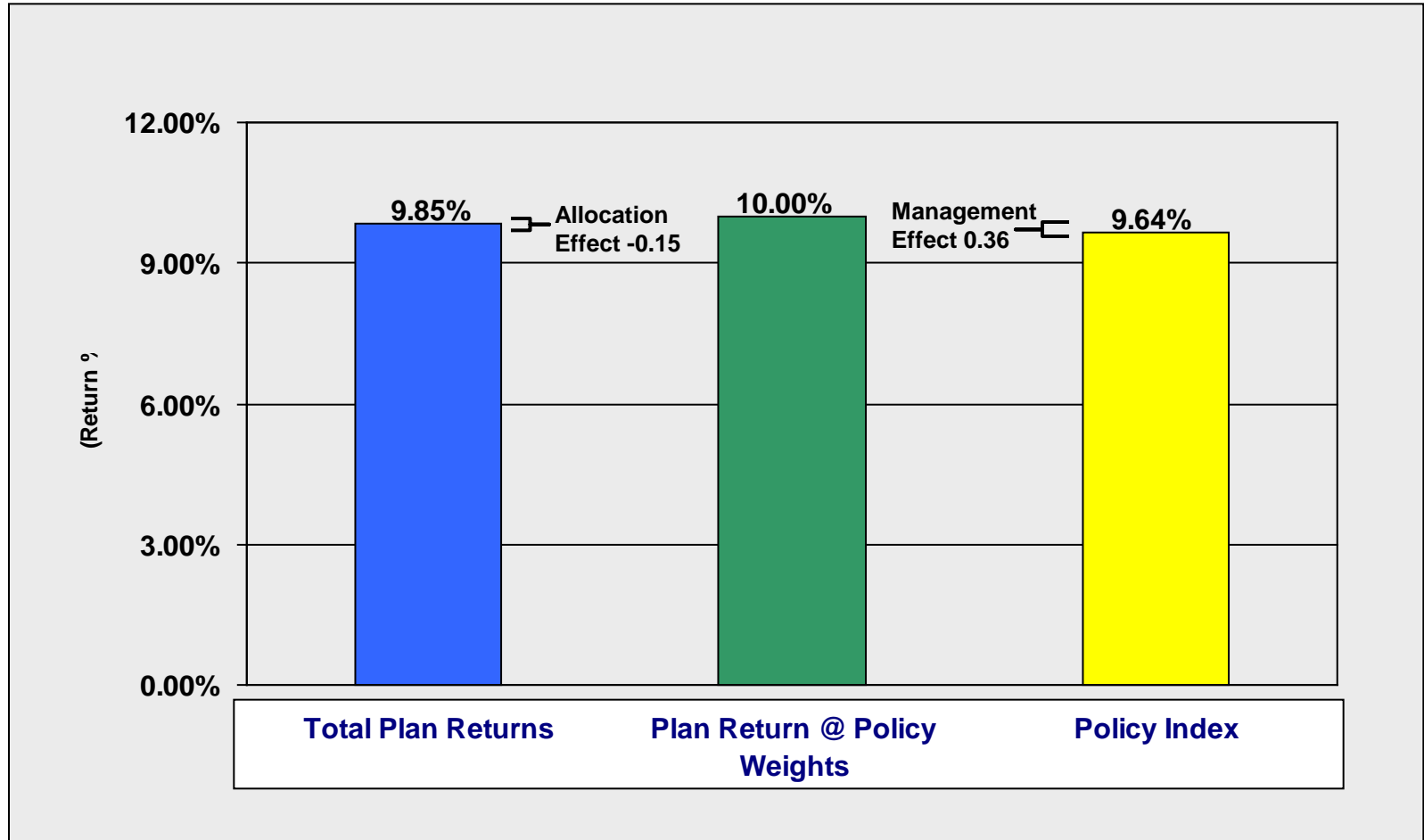
Performance Attribution: Total Plan – Quarter Ending September 30, 2012



Performance Attribution: Total Plan – 12 Months Ending September 30, 2012



Performance Attribution: Total Plan – 3 Years Ending September 30, 2012



Total Plan: September 30, 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	0.02	-0.05	-0.04	Russell 3000 Index
EAFE Markets	0.00	-0.03	0.00	MSCI EAFE Index
Emerging Markets	0.00	-0.11	0.06	MSCI Emerging Markets Index
Domestic Fixed	0.02	-0.18	-0.13	NYC Core +5 Index
Enhanced Yield	0.00	-0.05	1.37	Citigroup BB&B Index
State Street Short Term	0.04	****	****	Total Plan

Total Plan: September 30, 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	-0.01	-0.04	-0.02	Russell 3000 Index
EAFE Markets	0.01	0.04	0.13	MSCI EAFE Index
Emerging Markets	-0.07	-0.05	-0.01	MSCI Emerging Markets Index
Domestic Fixed	0.02	0.06	0.13	NYC Core +5 Index
Enhanced Yield	0.00	-0.15	0.03	Citigroup BB&B Index

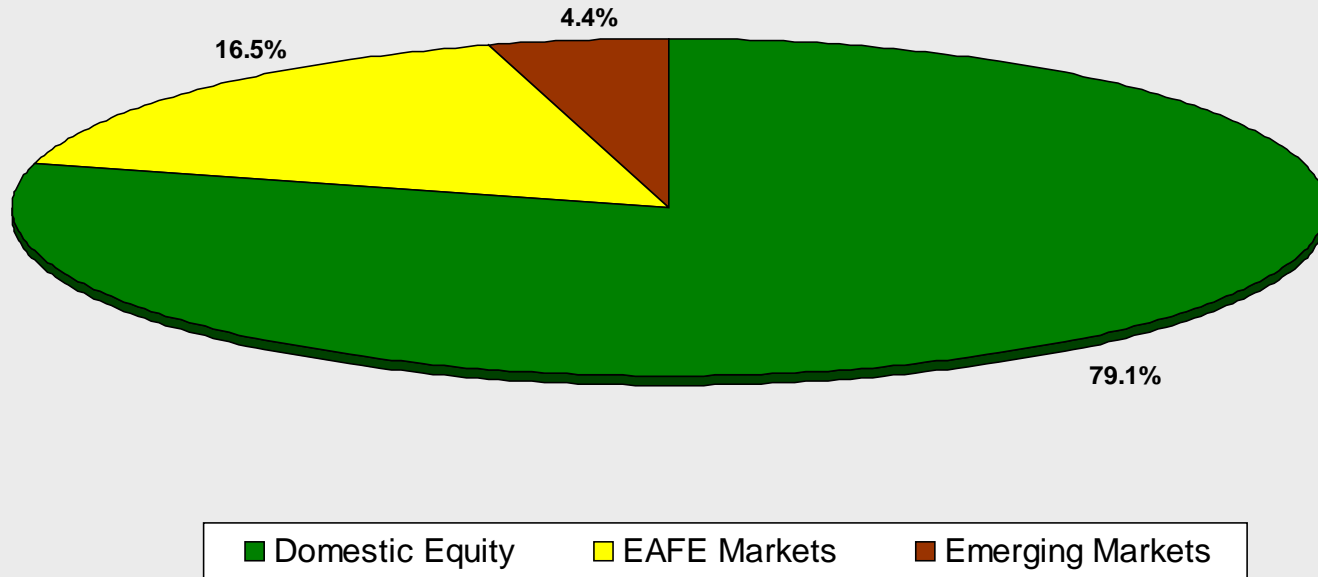
New York City
Police Officers' Variable Supplements Fund

Equity Analysis

Total Equity Asset Allocation: September 30, 2012

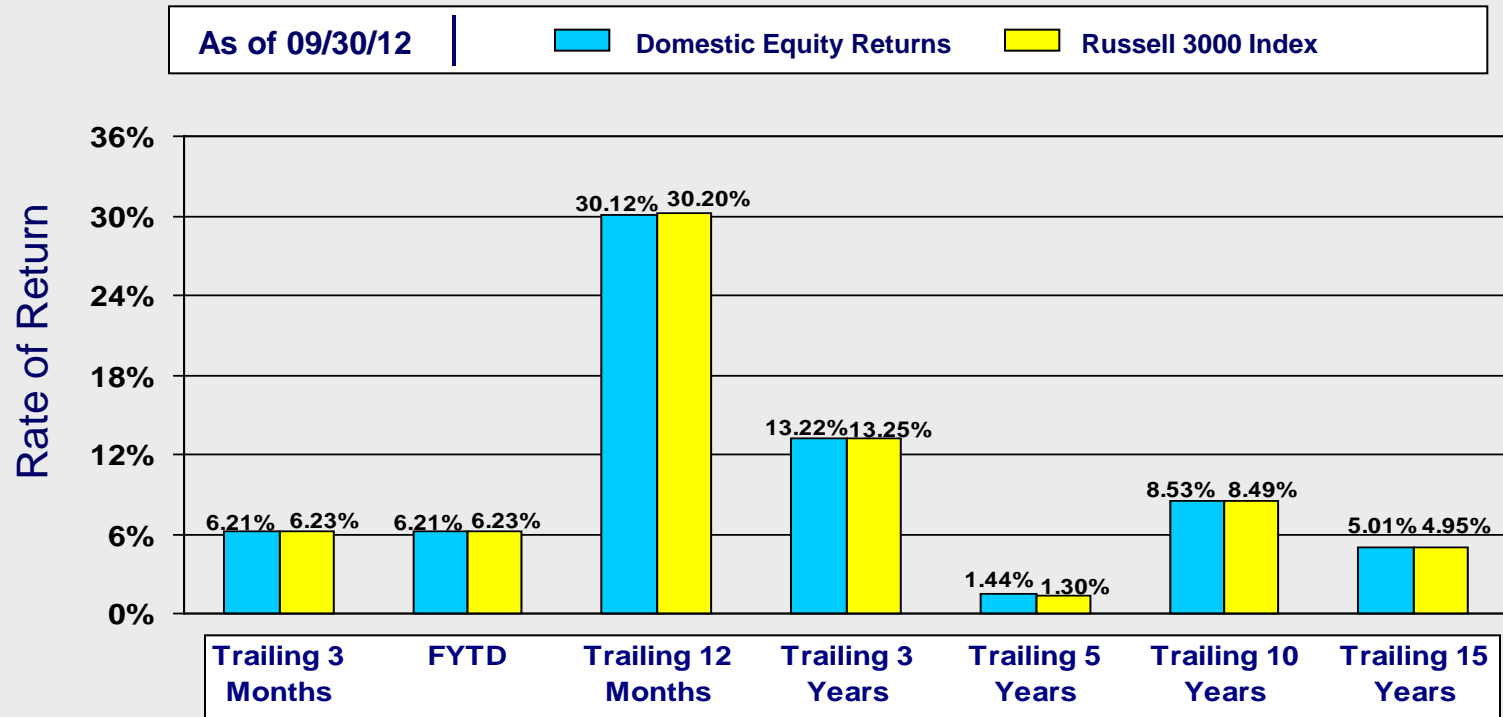
\$413M Under Management, **72%** of Total Funds

Asset Allocation by Groups



Total Domestic Equity Returns vs Russell 3000 Index

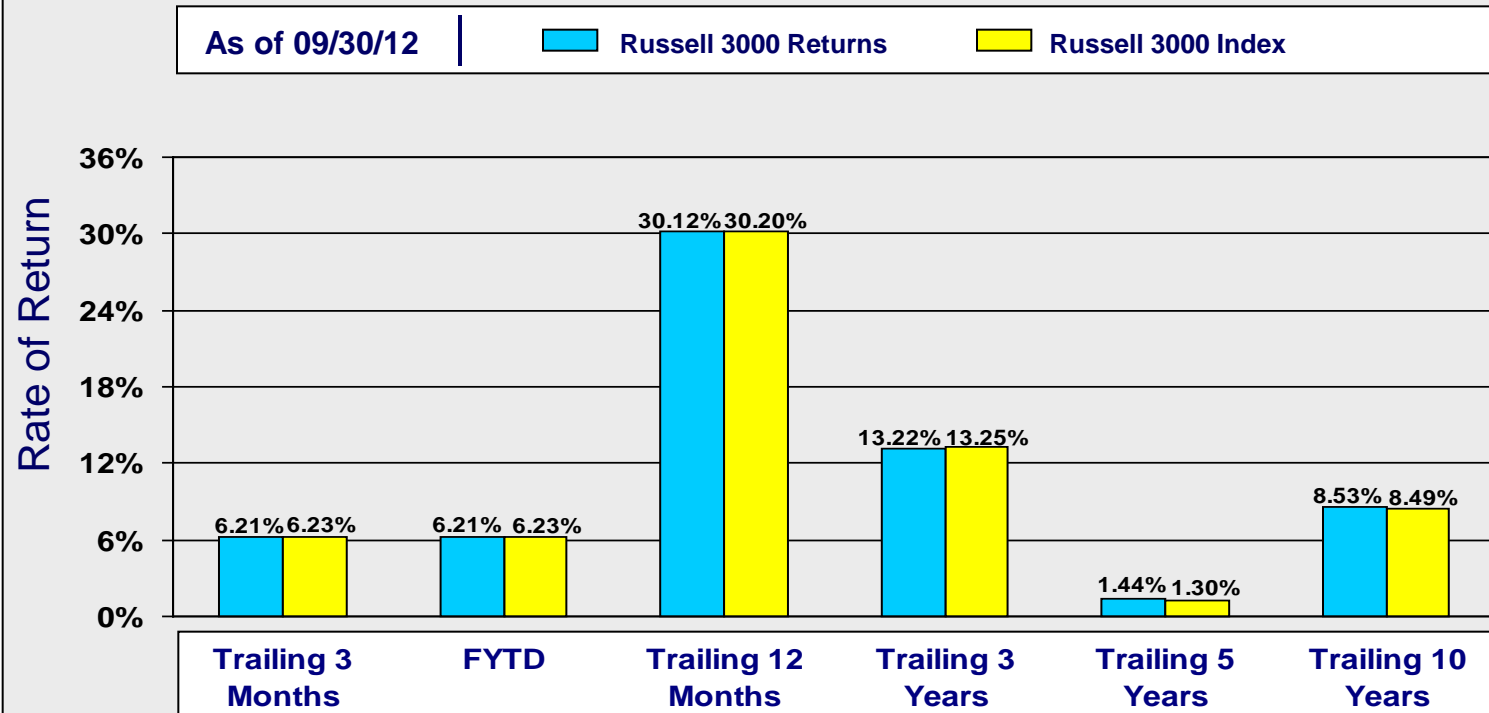
\$327M Under Management, **57%** of Total Funds



	3 Years	5 Years	10 Years	15 Years
Plan Std Dev	16.0	19.6	15.6	16.6
Benchmark Std Dev	16.0	19.7	15.7	16.7

Russell 3000 Index Fund Returns vs Russell 3000 Index

\$327M Under Management, **57%** of Total Funds

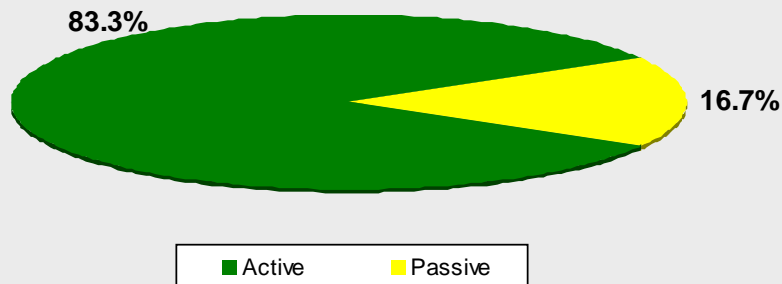


	3 Years	5 Years	10 Years
Plan Std Dev	16.0	19.6	15.6
Benchmark Std Dev	16.0	19.7	15.7

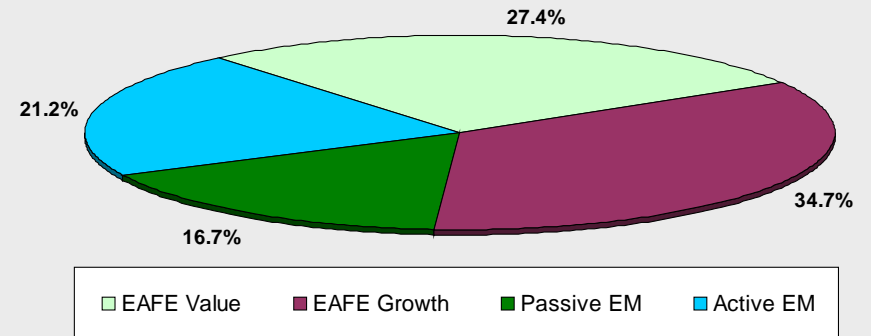
International Equity Asset Allocation: September 30, 2012

\$87M Under Management, **15%** of Total Funds

Asset Allocation by Groups



Asset Allocation by Style

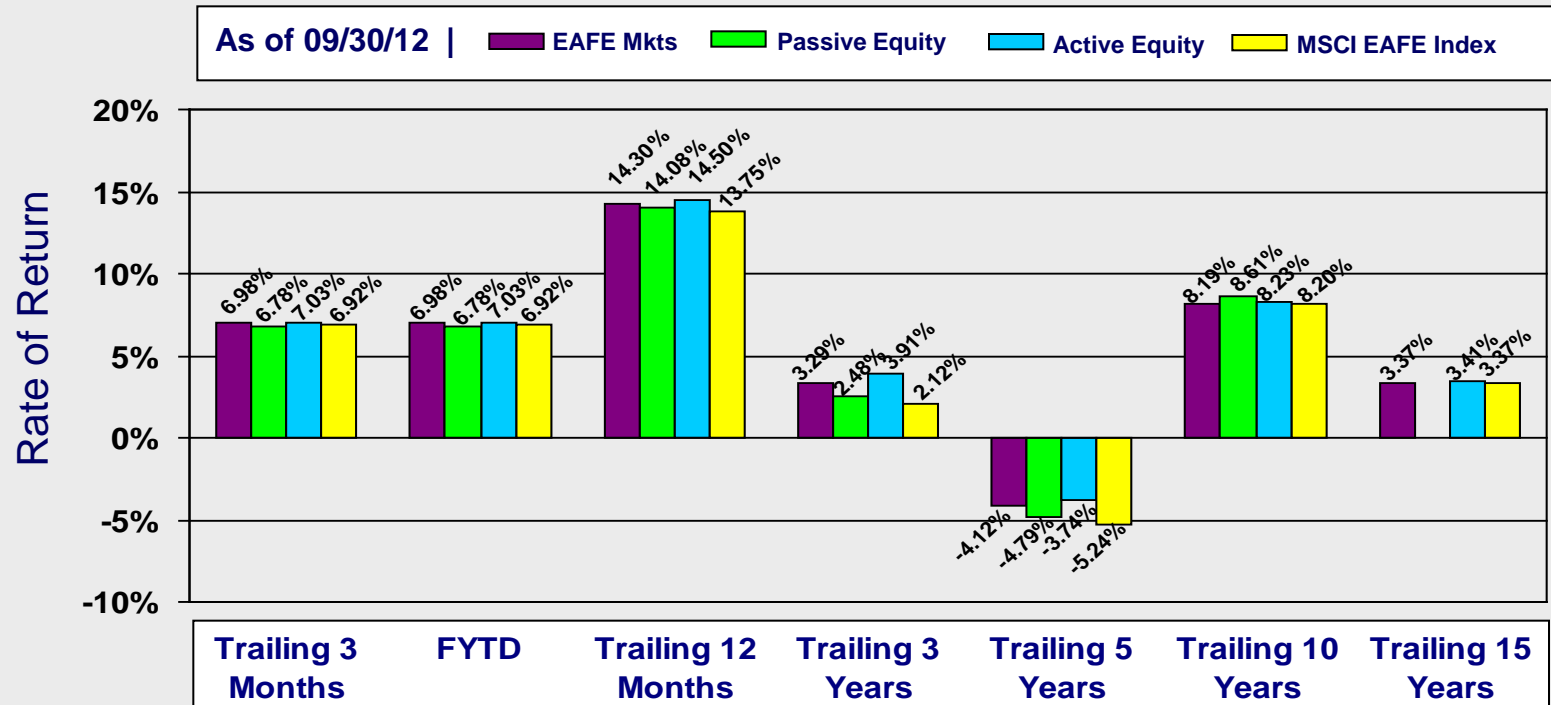


Value Added by Sectors

Sub Sector	Policy Weight	Actual Weight	Under/Over Weight	Index Return	Actual Return	Difference	Contribution to	
							Allocation	Management
EAFE Growth		34.69%		6.40	7.96	1.56		0.57
EAFE Value		27.41%		7.55	5.89	-1.67		-0.46
Passive EAFE		16.69%		6.92	6.78	-0.14		-0.02
Active EM		21.21%		7.89	5.52	-2.37		-0.42

EAFE Markets Returns vs MSCI EAFE Index

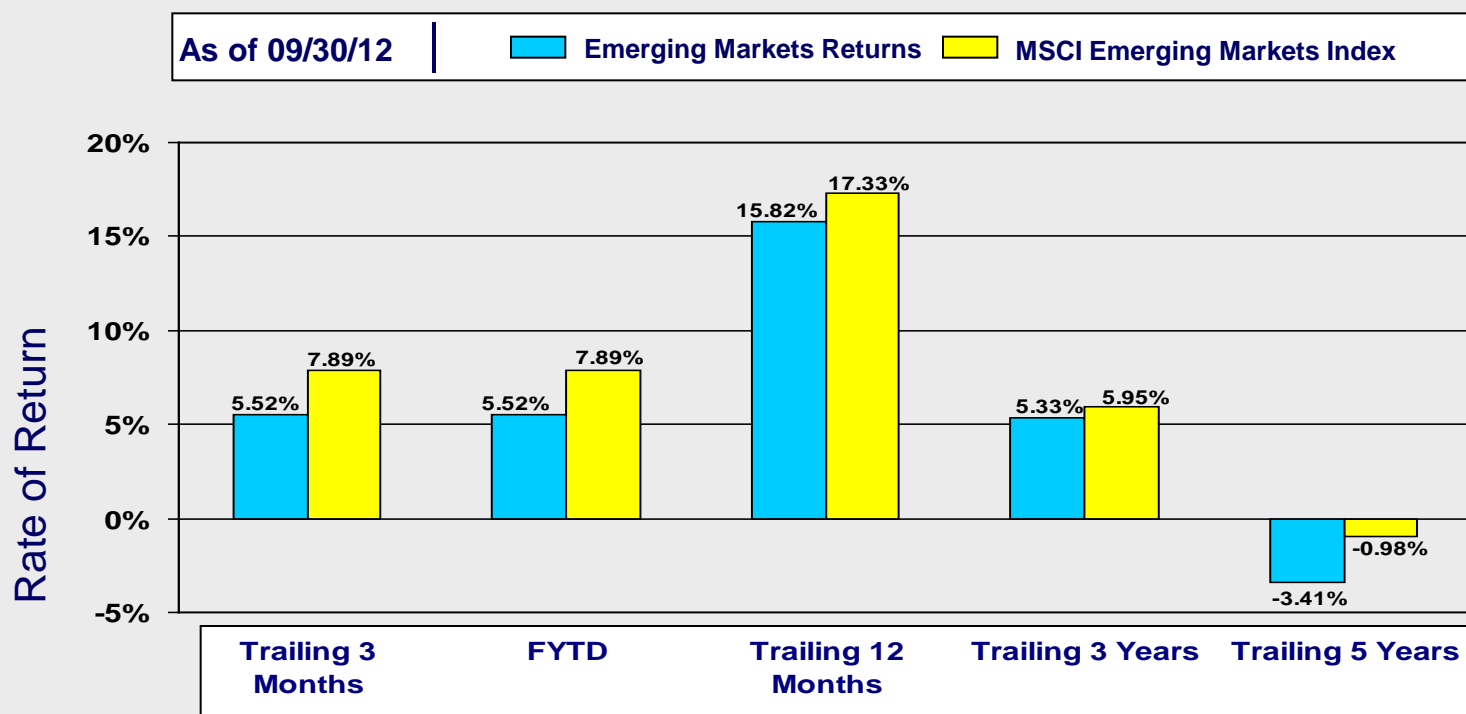
\$68M Under Management, **12%** of Total Funds



	Trailing 3 Months	FYTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Trailing 10 Years	Trailing 15 Years
EAFE Plan Std Dev			3 Years	5 Years	10 Years	15 Years	
Passive Plan Std Dev			18.3	22.1	17.7	17.5	
Active Plan Std Dev			19.2	23.2	18.4	****	
Benchmark Std Dev			18.0	21.6	17.4	17.4	
			19.3	23.3	18.5	18.1	

Emerging Markets Returns vs MSCI Emerging Markets Index

\$18M Under Management, **3%** of Total Funds



	3 Years	5 Years
Plan Std Dev	22.4	29.6
Benchmark Std Dev	21.5	29.3

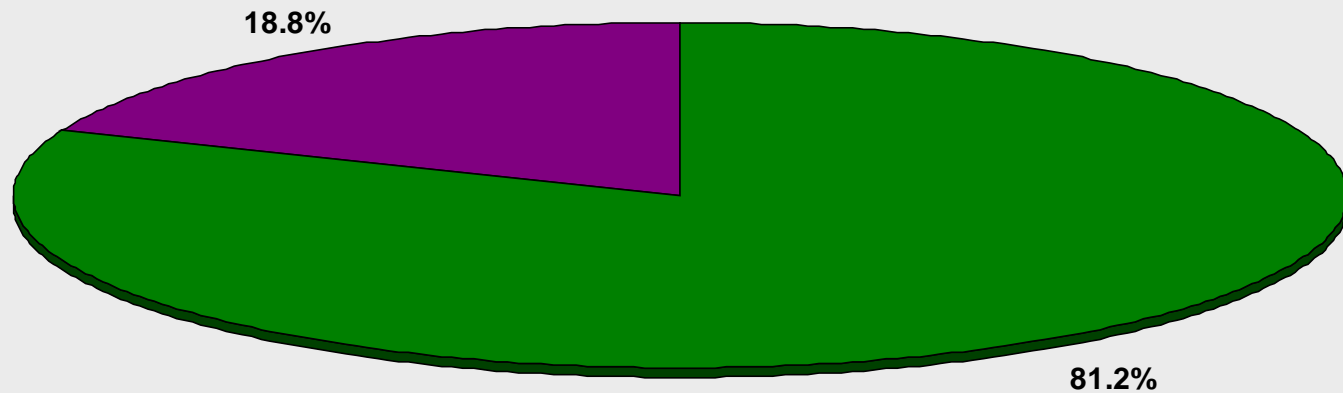
New York City
Police Officers' Variable Supplements Fund

Fixed Income Analysis

Total Fixed Income Asset Allocation: September 30, 2012

\$146M Under Management, **26%** of Total Funds

Asset Allocation by Groups



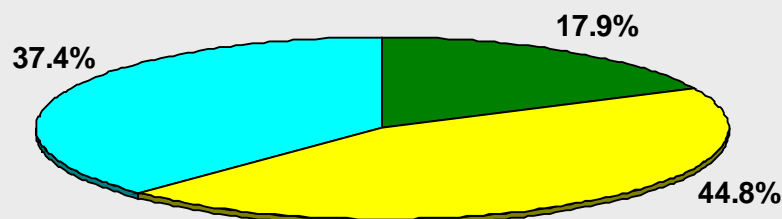
■ Structured Fixed Income

■ Short Term Investments

Structured Fixed Income Asset Allocation: Quarter Ending September 30, 2012

\$118M Under Management, **21%** of Total Funds

Asset Allocation by Groups



■ Treasury/Agency ■ Mortgage ■ Investment Grade Credit

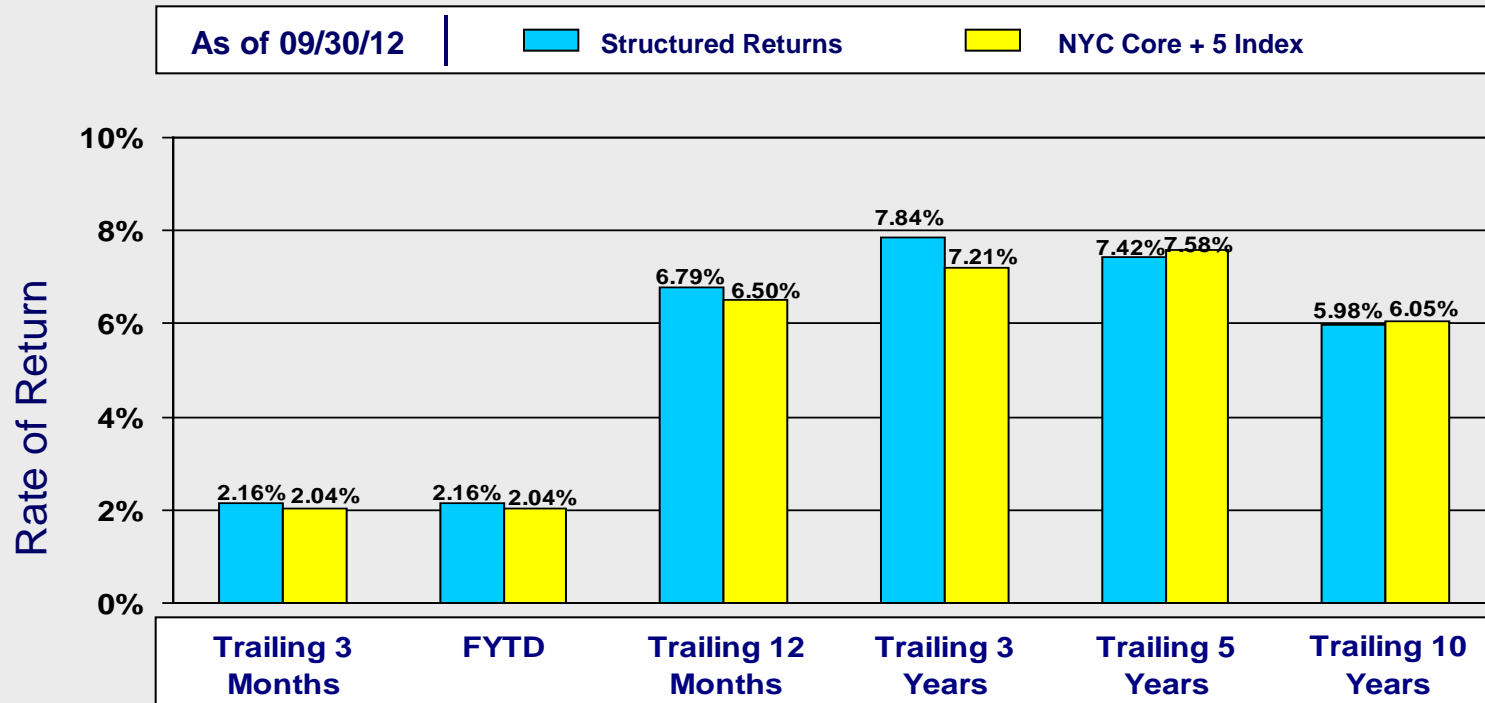
Value Added by Sectors

Sub Sector	Policy Weight	Actual Weight	Under/Over Weight	Index Return	Actual Return	Difference	Contribution to Out/Under Performance	
							Allocation	Management
Treasury/Agency	20.15	17.85	-2.30	0.82	0.94	0.12	0.03	0.02
Mortgage	40.68	44.78	4.10	1.11	1.31	0.19	-0.04	0.09
Investment Grade Credit	39.17	37.37	-1.80	3.71	3.80	0.09	-0.02	0.03

*NYC Core +5 Breakdown

Structured Returns vs NYC Core + 5 Index

\$118M Under Management, **21%** of Total Funds



	3 Years	5 Years	10 Years
Plan Std Dev	2.9	4.1	4.1
Benchmark Std Dev	3.2	4.4	4.3

New York City Police Officers' Variable Supplements Fund

Appendix

Consolidated Performance Report

Through September 30, 2012

Assets (\$MM)	% Total		3 Mos Jul-12 Sep-12	YTD Jan-12 Sep-12	1 Yr Oct-11 Sep-12	3 Yrs Oct-09 Sep-12	5 Yrs Oct-07 Sep-12	10 Yrs Oct-02 Sep-12	15 Yrs Oct-97 Sep-12
		EQUITY MANAGEMENT							
326.63	57.23	BLACKROCK R3000	6.21	16.09	30.12	13.22	1.44	8.53	****
326.63	57.23	TOTAL DOMESTIC EQUITY	6.21	16.09	30.12	13.22	1.44	8.53	5.01
		RUSSELL 3000	6.23	16.13	30.20	13.25	1.30	8.49	4.95
		INTERNATIONAL EQUITY							
		DEVELOPED MARKETS							
30.02	5.26	PYRAMIS GLOBAL ADVISORS	7.96	13.90	18.64	4.79	****	****	****
		MSCI EAFE GROWTH	6.40	10.86	15.22	4.68	****	****	****
23.69	4.15	MONDRIAN INVESTMENT PARTNERS LTD	5.89	5.77	9.76	2.99	-3.39	****	****
		MSCI EAFE VALUE	7.55	10.23	13.34	0.48	-5.74	****	****
0.03	0.00	TRANSITION-EAFE REBALANCE	****	****	****	****	****	****	****
53.76	9.42	TOTAL ACTIVE DEVELOPED MARKETS	7.03	10.13	14.50	3.91	-3.74	8.23	3.41
		MSCI EAFE (NET DIVIDEND)	6.92	10.08	13.75	2.12	-5.24	8.20	3.37
		INTERNATIONAL EQUITY MEDIAN	7.19	11.87	16.98	4.50	-3.10	9.63	5.76
14.45	2.53	SSGA	6.78	10.32	14.08	****	****	****	****
14.45	2.53	TOTAL PASSIVE DEVELOPED MARKETS	6.78	10.32	14.08	2.48	-4.79	8.61	****
68.21	11.95	TOTAL DEVELOPED MARKETS	6.98	10.17	14.30	3.29	-4.12	8.19	3.37
		MSCI EAFE (NET DIVIDEND)	6.92	10.08	13.75	2.12	-5.24	8.20	3.37

Consolidated Performance Report

Through September 30, 2012

Assets (\$MM)	% Total		3 Mos Jul-12 Sep-12	YTD Jan-12 Sep-12	1 Yr Oct-11 Sep-12	3 Yrs Oct-09 Sep-12	5 Yrs Oct-07 Sep-12	10 Yrs Oct-02 Sep-12	15 Yrs Oct-97 Sep-12
		EMERGING MARKETS							
18.36	3.22	STATE STREET EMG MKTS	5.52	9.38	15.82	5.33	-3.41	****	****
18.36	3.22	TOTAL EMERGING MARKETS	5.52	9.38	15.82	5.33	-3.41	****	****
		MSCI EMERGING MARKETS FREE	7.89	12.33	17.33	5.95	-0.98	****	****
		EMERGING MARKETS MEDIAN	7.22	12.61	17.69	6.64	0.52	****	****
86.57	15.17	TOTAL INTERNATIONAL EQUITY	6.67	10.00	14.46	3.87	-3.80	8.82	3.77
413.20	72.40	TOTAL EQUITY - PUBLIC & PRIVATE	6.30	14.76	26.37	10.66	0.02	8.89	5.34

Consolidated Performance Report

Through September 30, 2012

Assets (\$MM)	% Total		3 Mos Jul-12 Sep-12	YTD Jan-12 Sep-12	1 Yr Oct-11 Sep-12	3 Yrs Oct-09 Sep-12	5 Yrs Oct-07 Sep-12	10 Yrs Oct-02 Sep-12	15 Yrs Oct-97 Sep-12
		FIXED INCOME MANAGEMENT							
		TREASURY / AGENCY							
21.14	3.70	PIMCO -GOVT	0.94	4.75	6.13	9.68	****	****	****
21.14	3.70	ALL TREASURY / AGENCY	0.94	4.75	6.13	9.68	9.32	6.75	****
		NYC - TREASURY AGENCY PLUS FIVE	0.82	4.11	5.67	9.37	9.28	6.68	****
		MORTGAGE							
53.03	9.29	PIMCO -MORT	1.31	3.14	4.04	5.82	****	****	****
53.03	9.29	ALL MORTGAGE	1.31	3.08	3.89	6.29	6.06	5.14	****
		CITIGROUP MORTGAGE INDEX	1.11	2.82	3.76	5.07	6.42	5.29	****
		INVESTMENT GRADE CREDIT							
44.25	7.75	BLACKROCK - CREDIT	3.80	9.20	11.46	9.13	7.73	****	****
44.25	7.75	ALL INVESTMENT GRADE CREDIT	3.80	9.20	10.89	9.00	7.64	6.46	****
		NYC - INVESTMENT GRADE CREDIT	3.71	8.34	10.21	8.47	7.57	6.40	****
118.43	20.75	TOTAL STRUCTURED	2.16	5.55	6.79	7.84	7.42	5.98	****
		NYC - CORE PLUS FIVE	2.04	5.10	6.50	7.21	7.58	6.05	****
145.79	25.55	TOTAL FIXED INCOME	1.75	4.51	5.98	7.82	7.48	6.62	6.46
11.68	2.05	SECURITIES LENDING	****	****	****	****	****	****	****
27.37	4.79	STATE STREET SHORT TERM	0.06	0.21	0.29	0.81	1.49	2.36	3.56
0.05	0.01	BNY-MELLON - CD	****	****	****	****	****	****	****
570.72	100.00	TOTAL POLICE OFFICERS	4.97	11.63	19.43	9.85	2.68	8.37	5.75
		POLICE OFFICERS POLICY BENCHMARK	4.94	11.66	19.94	9.64	2.83	8.72	****

Securities Lending Income

Through September 30, 2012

	U.S. <u>FIXED INCOME</u>	U.S. <u>EQUITY</u>	INTERNATIONAL <u>EQUITY</u>
2001	252,000	116,000	81,000
2002	139,000	72,000	82,000
2003	51,000	77,000	131,000
2004	91,000	115,000	126,000
2005	198,000	228,000	179,000
2006	169,000	305,000	180,000
2007	333,000	495,000	165,000
2008	873,000	881,000	201,000
2009	276,000	581,000	125,000
2010	85,000	243,000	80,000
2011	80,000	255,000	91,000
2012 (9 Months)	33,000	192,000	45,000

Footnotes

Through September 30, 2012

- Effective 4/1/03, the name of the Core +5 benchmark index 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 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 September 30, 2012

General Notes

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

Page Specific

Page 4 - Portfolio asset Allocation

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

Page 5 - 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** = 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 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, or 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 adjusted policy weights are as follows:
U.S. Equity: Russell 3000 * 55%
International Developed (EAFE) Markets: MSCI EAFE * 12%
International Emerging Markets: MSCI Emerging Markets * 3%
Domestic Fixed Income: NYC Core +5 * 22%
Cash: 91 Day T-Bill * 8%

Glossary of Terms

Through September 30, 2012

Page 8 - 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 18 – Structured Fixed Income 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.*