



## **New York City Firefighters' Variable Supplements Fund**

Performance Overview as of December 31, 2012

# **Total Fund Overview**

# New York City Firefighters' Variable Supplements Fund

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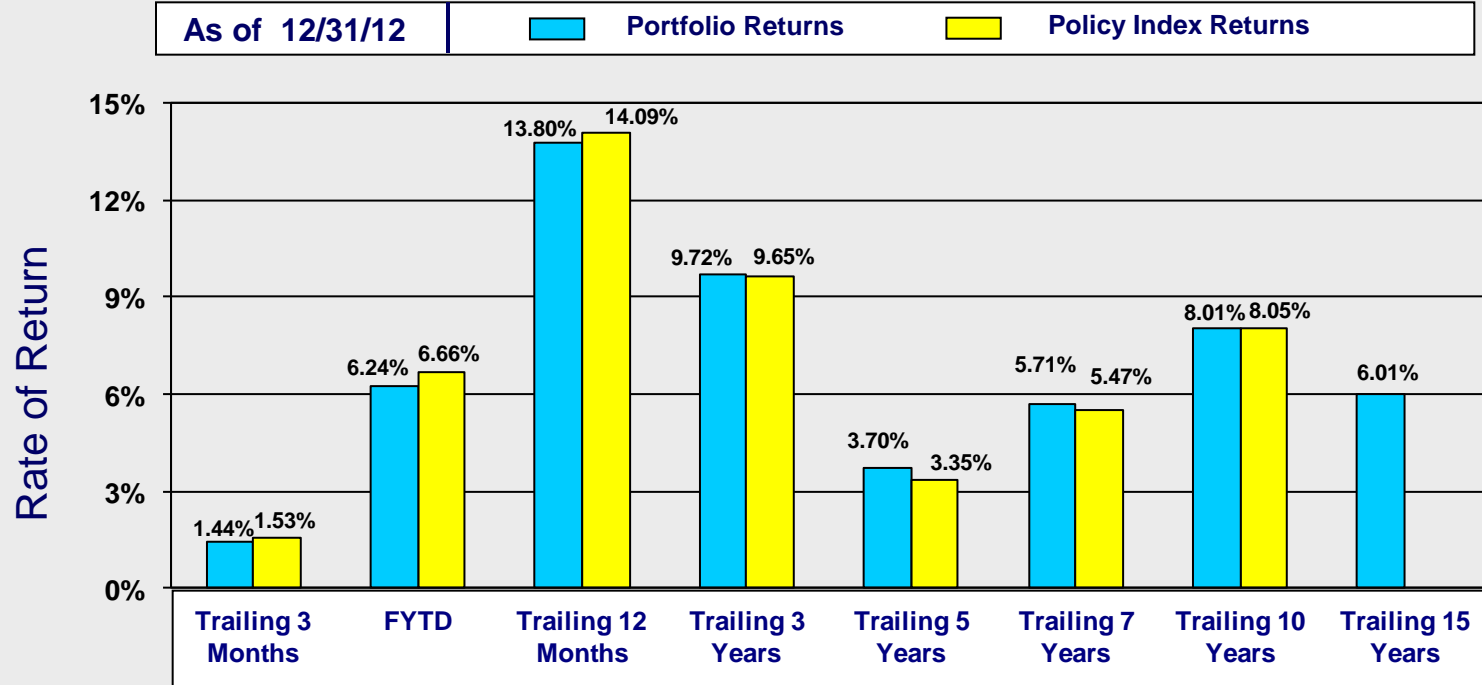
**Appendix**

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## Total Portfolio Returns: December 31, 2012

**\$388M** Under Management



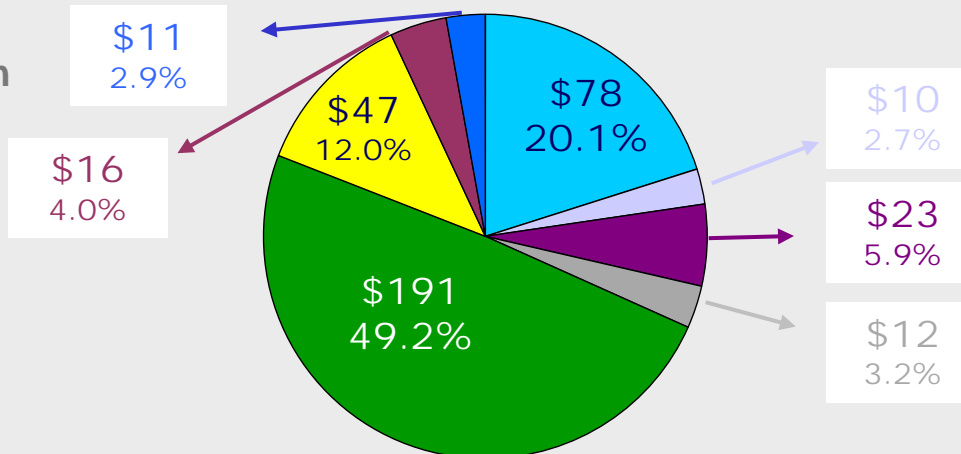
|                   | 3 Years | 5 Years | 7 Years | 10 Years | 15 Years |
|-------------------|---------|---------|---------|----------|----------|
| Plan Std Dev      | 11.3    | 14.3    | 12.6    | 11.2     | 11.7     |
| Benchmark Std Dev | 11.4    | 15.2    | 13.3    | 11.8     | ****     |

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

## Portfolio Asset Allocation: December 31, 2012

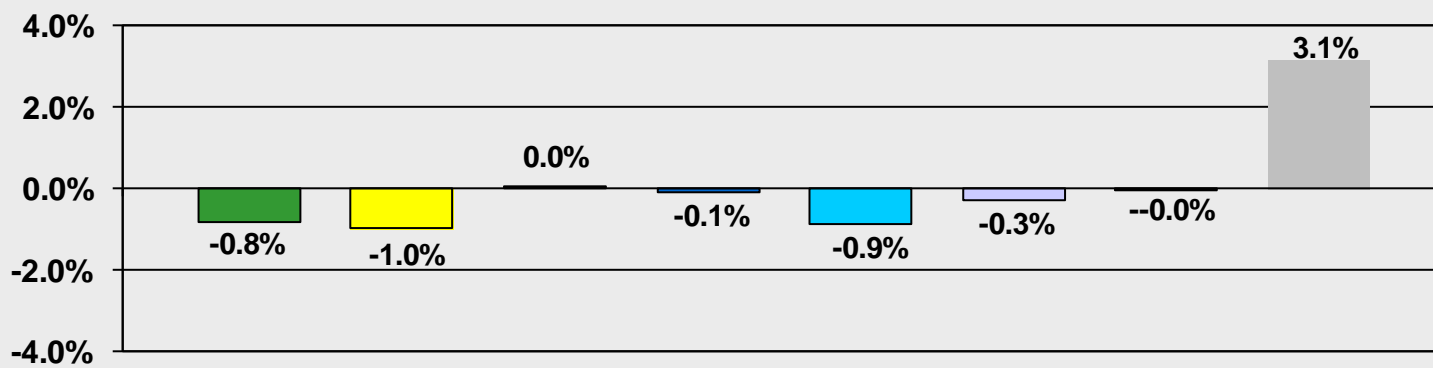
**\$388M** Under Management

### Asset Allocation

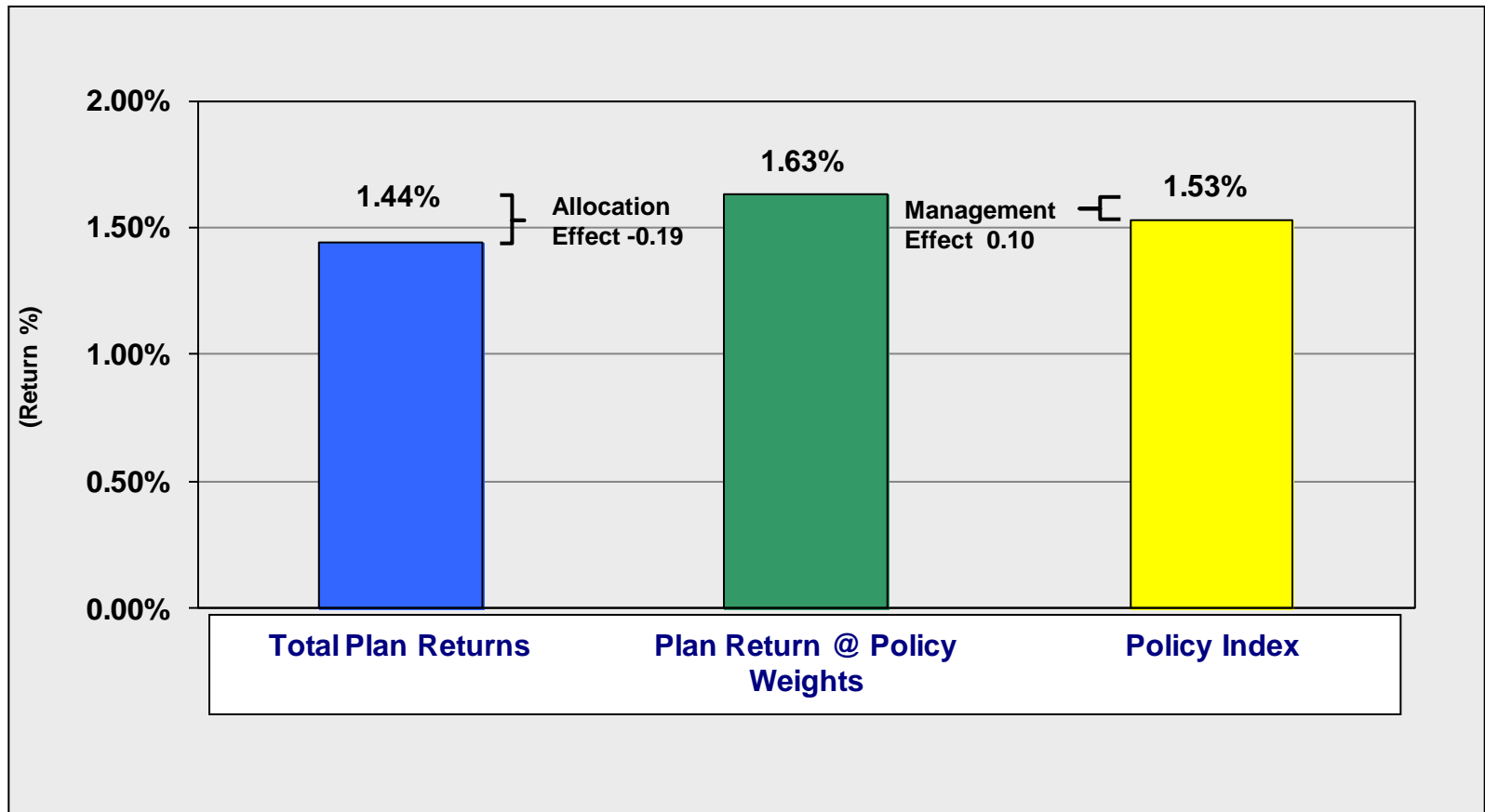


Domestic Equity EAFE Mkts Emerg Mkts REITS Core + 5 TIPS Enhanced Yield Cash

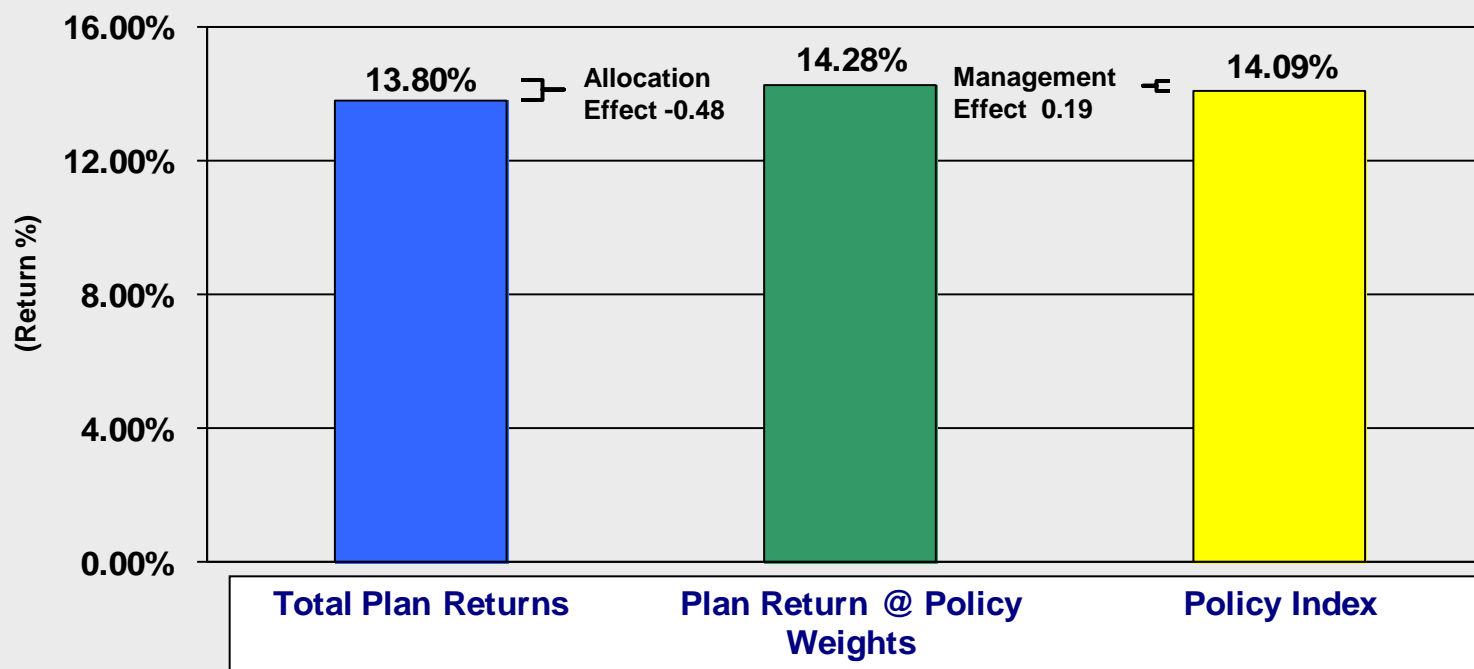
### Relative Mix to Policy Weights



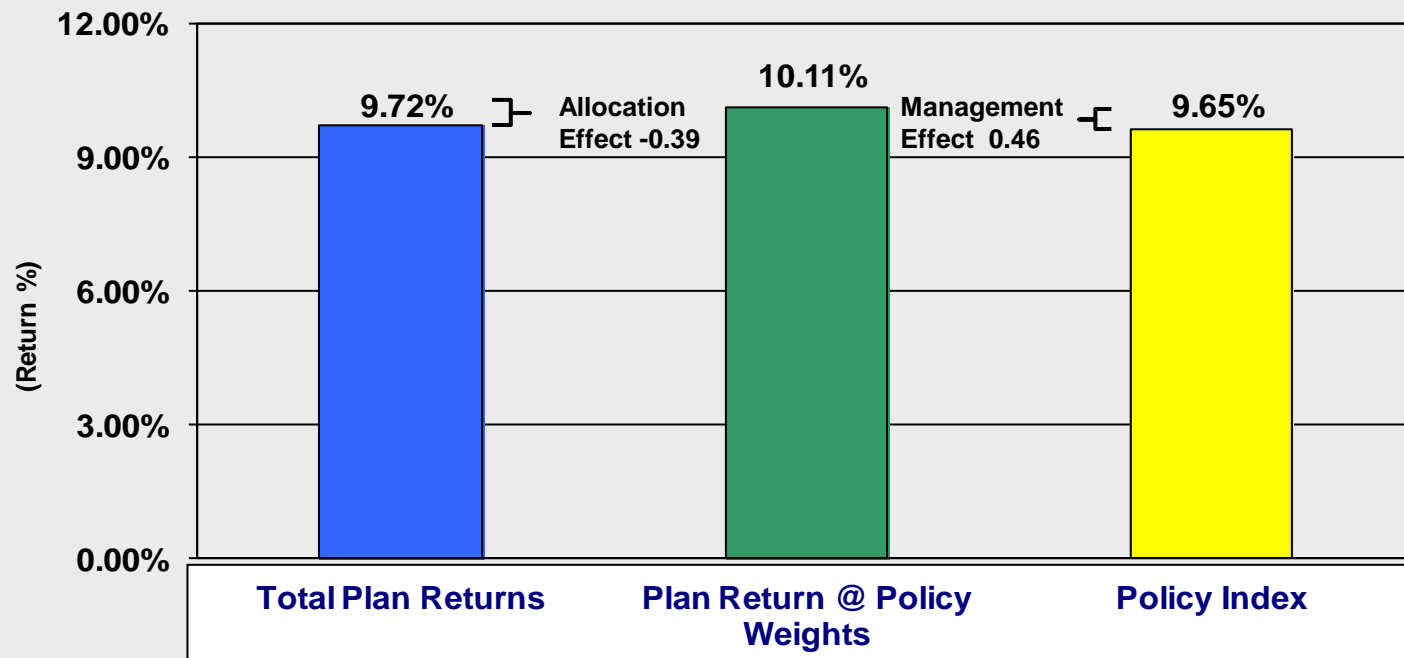
## Performance Attribution: Total Plan – Quarter Ending December 31, 2012



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



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



## Total Plan: December 31, 2012

### Allocation Effect – Asset Class Breakdown

| <u>Plan</u>             | <u>Quarter</u> | <u>12<br/>Months</u> | <u>3<br/>Years</u> | <u>Benchmark</u>                          |
|-------------------------|----------------|----------------------|--------------------|---|
| Domestic Equity         | -0.01          | -0.02                | -0.06              | Russell 3000 Index                        |
| EAFE Markets            | -0.10          | -0.06                | 0.00               | MSCI EAFE Index                           |
| Emerging Markets        | -0.03          | -0.01                | -0.03              | MSCI Emerging Markets FREE Index          |
| REITS                   | -0.09          | 0.03                 | 0.03               | DJ US Select Real Estate Securities Index |
| Domestic Fixed          | 0.01           | -0.03                | -0.15              | NYC Core +5 Index                         |
| Enhanced Yield          | 0.00           | -0.02                | -0.01              | Citigroup BB&B Index                      |
| TIPS                    | 0.00           | 0.01                 | -0.01              | Barclays Capital US TIPS Index            |
| State Street Short Term | -0.02          | -0.19                | -0.15              | Total Plan                                |

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



## Total Plan: December 31, 2012

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### Management Effect – Asset Class Breakdown

| <u>Plan</u>      | <u>Quarter</u> | <u>12<br/>Months</u> | <u>3<br/>Years</u> | <u>Benchmark</u>                   |
|------------------|----------------|----------------------|--------------------|------------------------------------|
| Domestic Equity  | 0.00           | -0.02                | -0.01              | Russell 3000 Index                 |
| EAFE Markets     | -0.09          | 0.01                 | 0.28               | MSCI EAFE Index                    |
| Emerging Markets | 0.08           | -0.01                | 0.01               | MSCI Emerging Markets FREE Index   |
| REITS            | 0.02           | 0.04                 | 0.04               | DJ US Real Estate Securities Index |
| Domestic Fixed   | 0.09           | 0.19                 | 0.11               | NYC Core +5 Index                  |
| Enhanced Yield   | 0.00           | -0.06                | -0.03              | Citigroup BB&B Index               |
| TIPS             | 0.00           | 0.02                 | 0.04               | Barclays Capital US TIPS Index     |

## New York City Firefighters' Variable Supplements Fund

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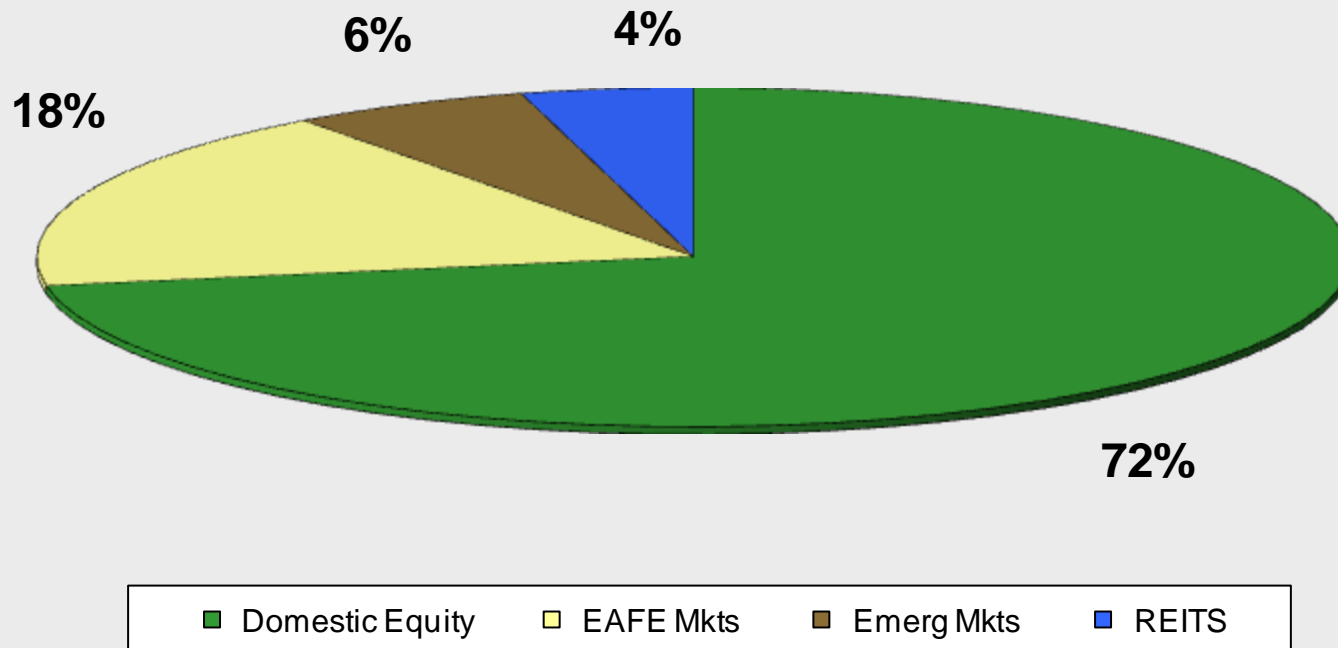
# Equity Analysis

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## Total Equity Asset Allocation: December 31, 2012

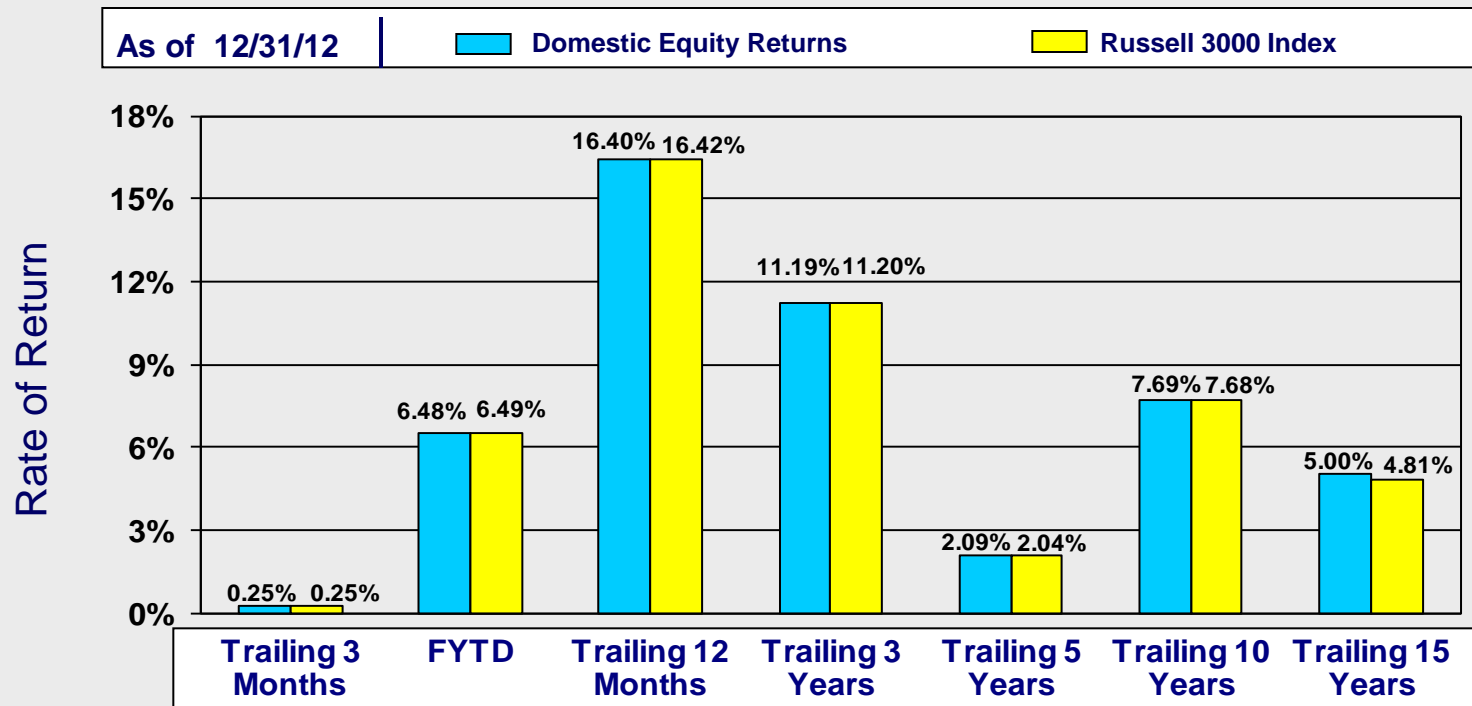
**\$264M** Under Management, **68%** of Total Funds

Asset Allocation by Groups



## Total Domestic Equity Returns vs Russell 3000 Index

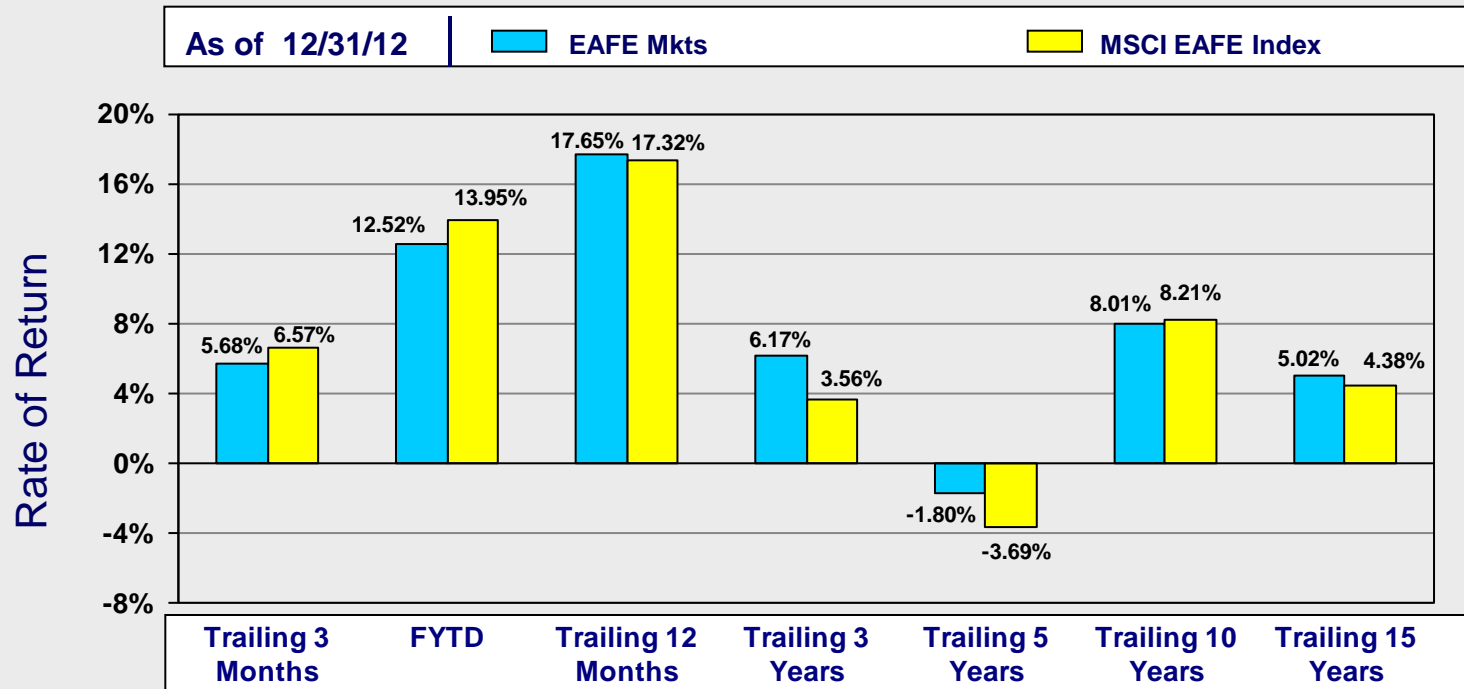
**\$191M** Under Management, **49%** of Total Funds



|                   | 3 Years | 5 Years | 10 Years | 15 Years |
|-------------------|---------|---------|----------|----------|
| Plan Std Dev      | 15.7    | 19.5    | 15.2     | 16.7     |
| Benchmark Std Dev | 15.7    | 19.6    | 15.3     | 16.6     |

## EAFE Markets Returns vs MSCI EAFE Index

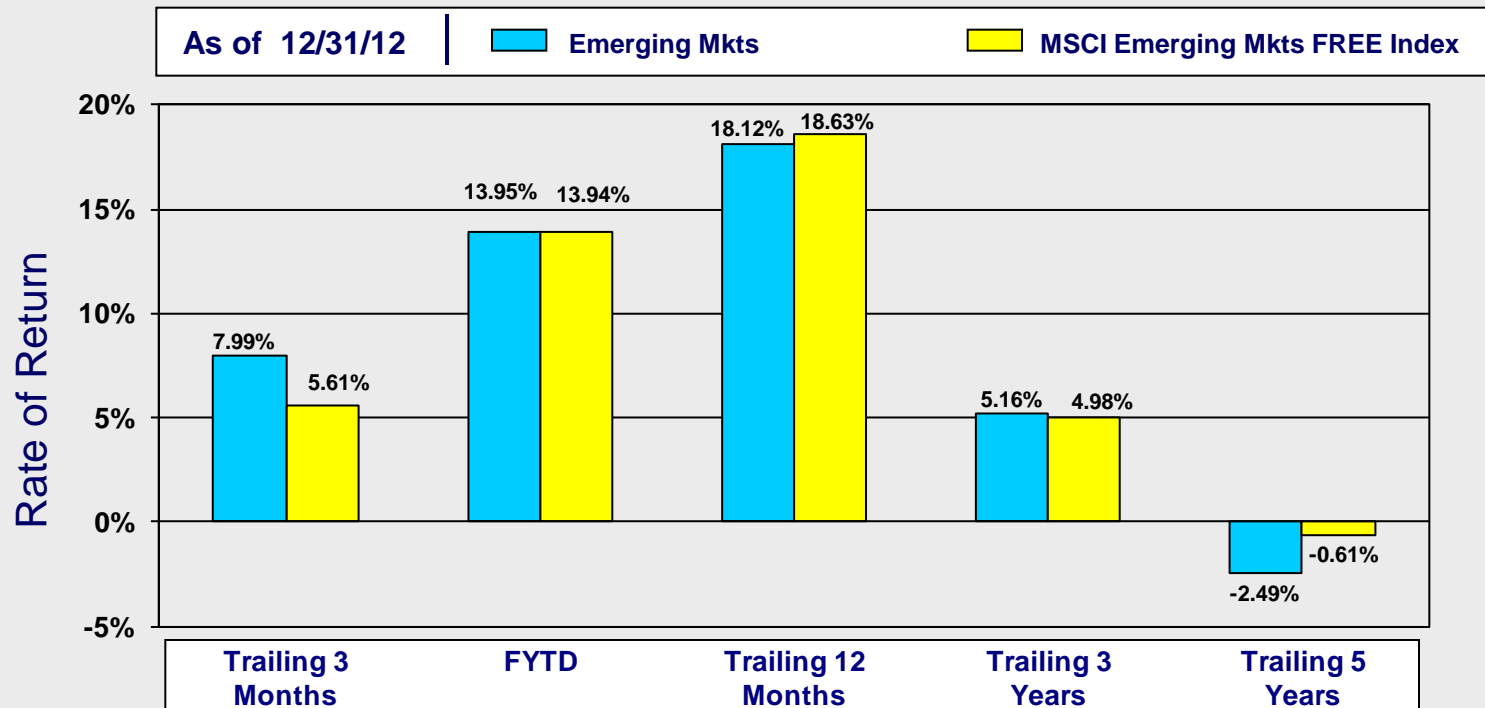
**\$47M** Under Management, **12%** of Total Funds



|                   | 3 Years | 5 Years | 10 Years | 15 Years |
|-------------------|---------|---------|----------|----------|
| Plan Std Dev      | 18.7    | 21.9    | 17.6     | 17.5     |
| Benchmark Std Dev | 19.4    | 23.3    | 18.4     | 18.0     |

## Emerging Markets' Returns vs MSCI Emerging Markets Index

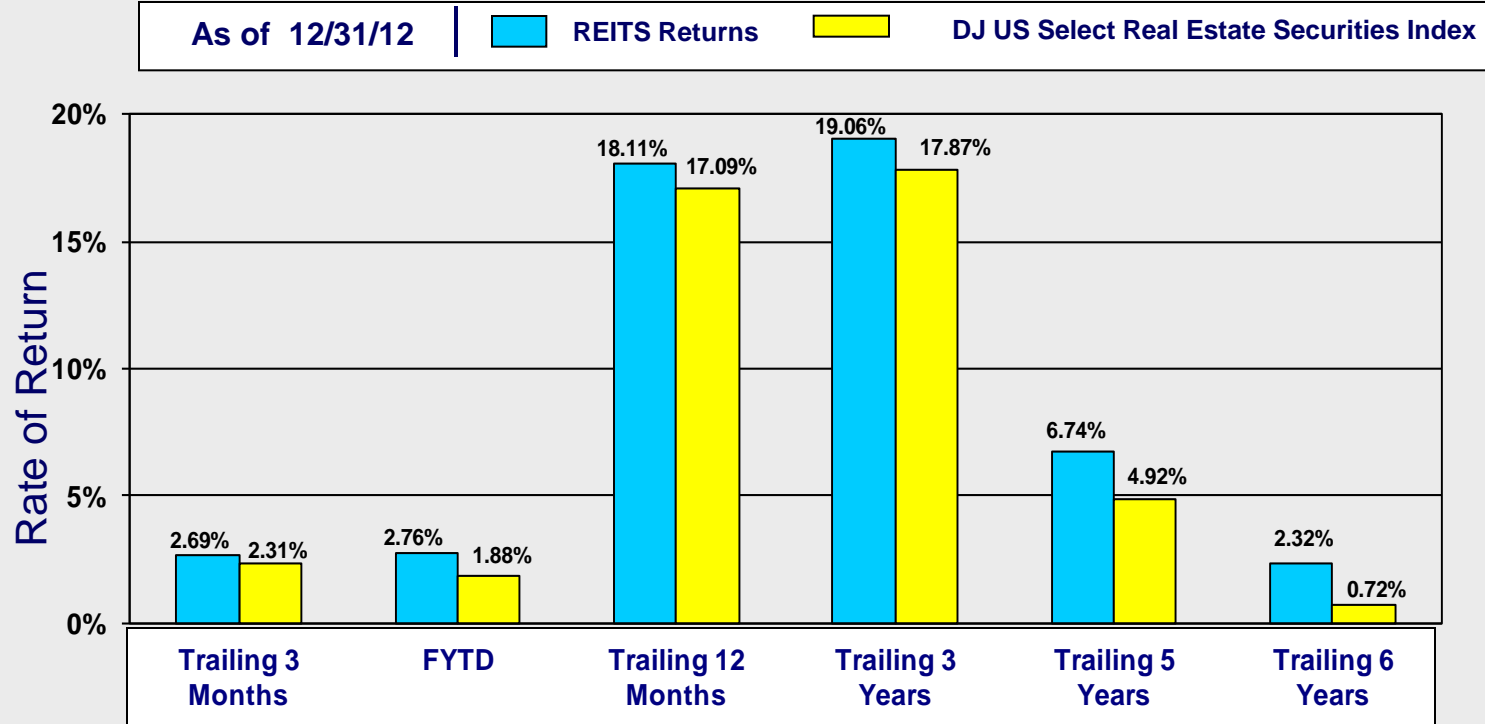
**\$16M** Under Management, **4%** of Total Funds



|                   | 3 Years | 4 Years | 5 Years |
|-------------------|---------|---------|---------|
| Plan Std Dev      | 22.4    | 24.3    | 29.1    |
| Benchmark Std Dev | 21.5    | 24.2    | 28.8    |

## REITS Returns vs DJ US Select Real Estate Securities Index

**\$11M** Under Management, **3%** of Total Funds



|                   | 3 Years | 4 Years | 5 Years | 6 Years |
|-------------------|---------|---------|---------|---------|
| Plan Std Dev      | 19.0    | 28.4    | 32.2    | 30.7    |
| Benchmark Std Dev | 18.5    | 29.0    | 33.8    | 32.0    |

**New York City**  
**Firefighters' Variable Supplements Fund**

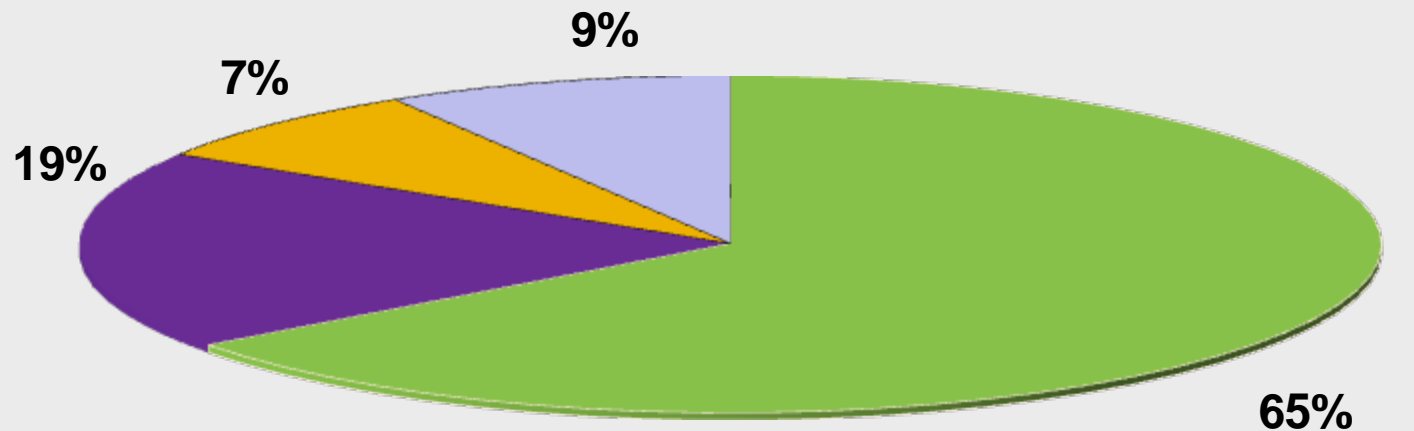
# **Fixed Income Analysis**



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

**\$121M** Under Management, **31%** of Total Funds

Asset Allocation by Groups

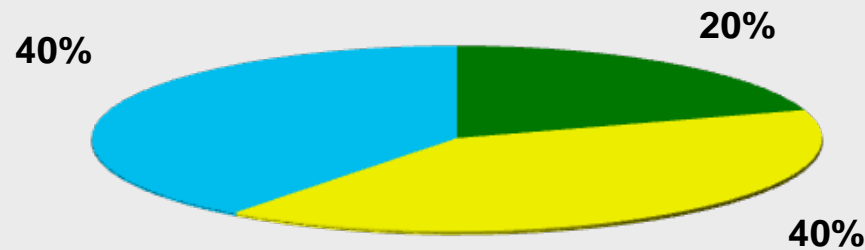


■ Structured Fixed Income   ■ Enhanced Yield   ■ Short Term   ■ TIPS Managers

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

**\$78M** Under Management , **20%** of Total Funds

### Asset Allocation by Groups



### Value Added by Sectors

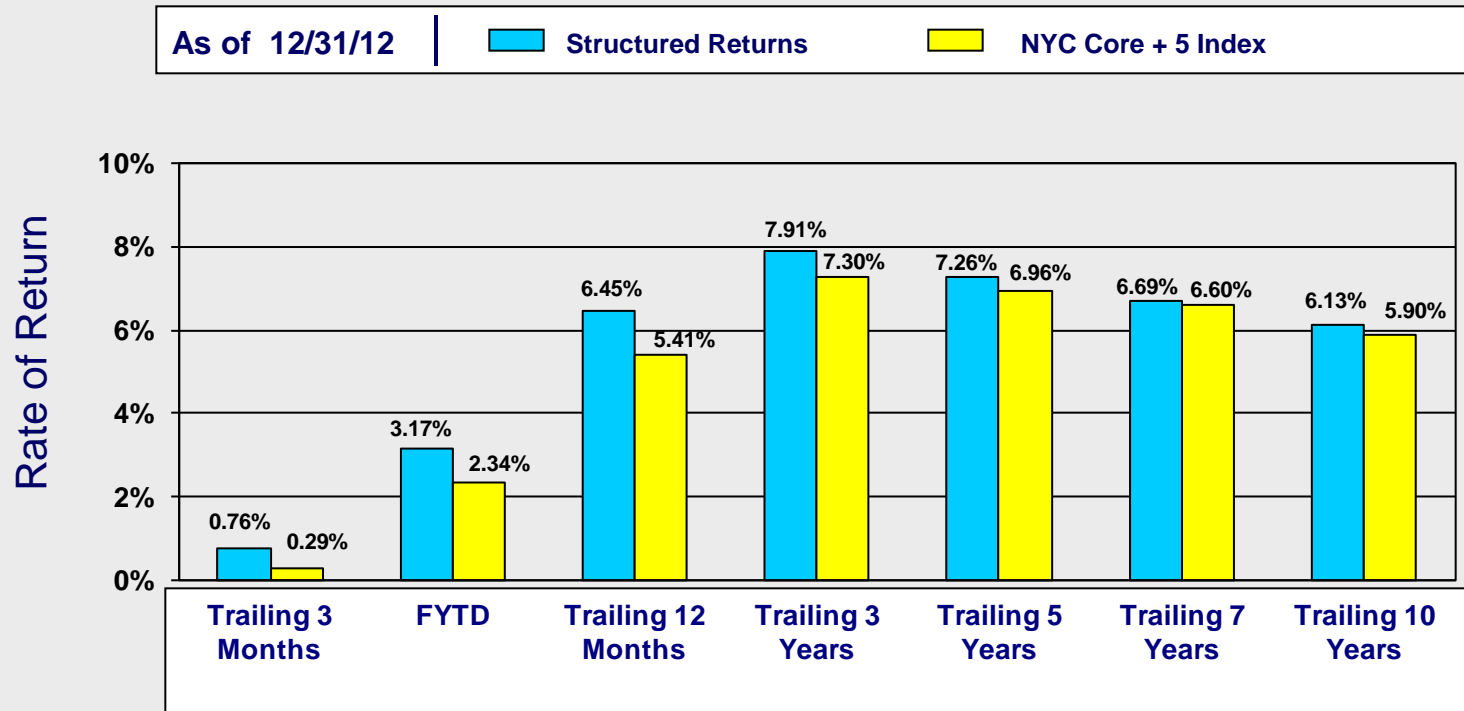
■ Treasury/Agency ■ Mortgage ■ Credit

| Sub Sector | Policy Weight | Actual Weight | Under/Over Weight | Index Return | Actual Return | Difference | Contribution to Out/Under Performance |            |
|------------|---------------|---------------|-------------------|--------------|---------------|------------|---------------------------------------|------------|
|            |               |               |                   |              |               |            | Allocation                            | Management |
| Government | 19.93         | 20.08         | 0.15              | -0.26        | 0.08          | 0.34       | -0.01                                 | 0.07       |
| Mortgage   | 40.06         | 40.22         | 0.16              | -0.22        | -0.07         | 0.15       | -0.01                                 | 0.06       |
| Credit     | 40.01         | 39.70         | -0.31             | 1.09         | 2.11          | 1.01       | -0.02                                 | 0.40       |

\*NYC Core +5 Breakdown

## Structured Returns vs NYC Core + 5 Index

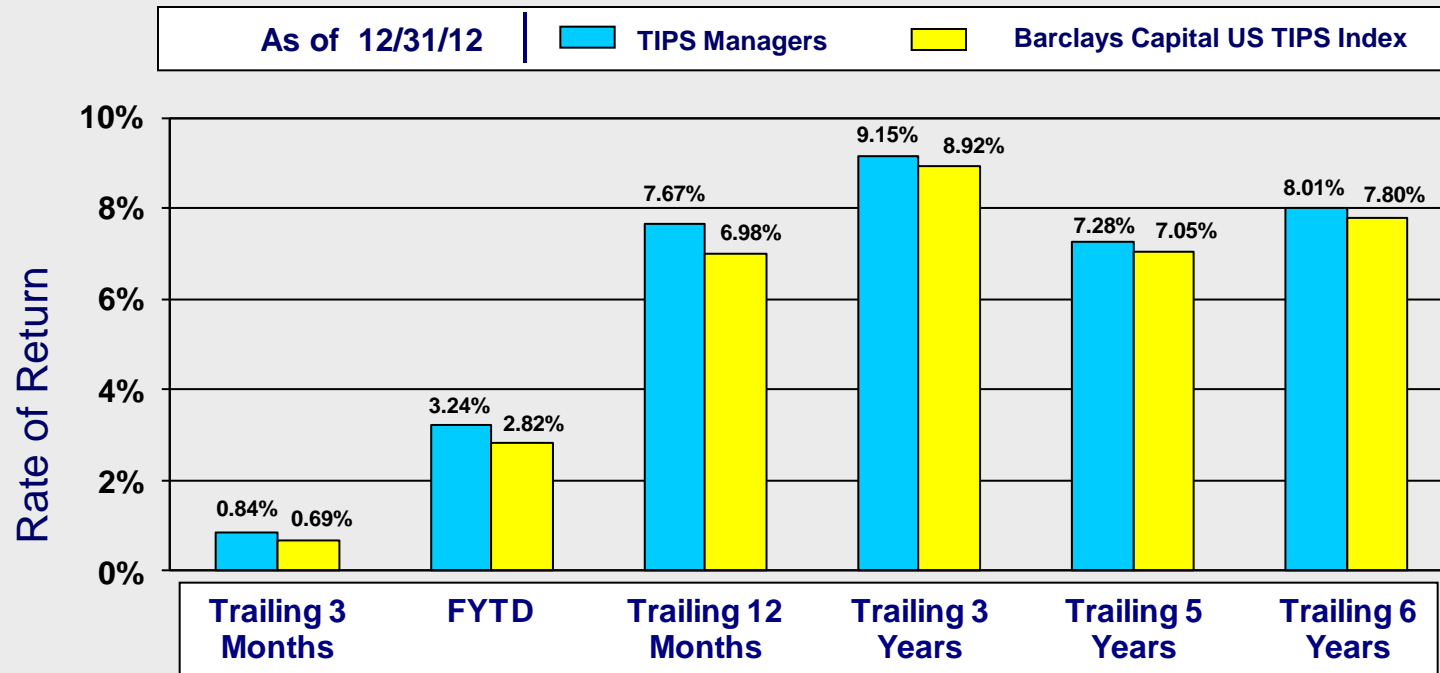
**\$78M** Under Management, **20%** of Total Funds



|                   | 3 Years | 5 Years | 7 Years | 10 Years |
|-------------------|---------|---------|---------|----------|
| Plan Std Dev      | 2.6     | 4.1     | 3.8     | 4.1      |
| Benchmark Std Dev | 2.9     | 4.4     | 4.0     | 4.2      |

## TIPS Returns vs Barclays Capital US TIPS Index

**\$10M** Under Management, **3%** of Total Funds



|                   | 3 Years | 5 Years | 6 Years |
|-------------------|---------|---------|---------|
| Plan Std Dev      | 4.2     | 7.4     | 7.1     |
| Benchmark Std Dev | 4.4     | 7.3     | 6.9     |

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

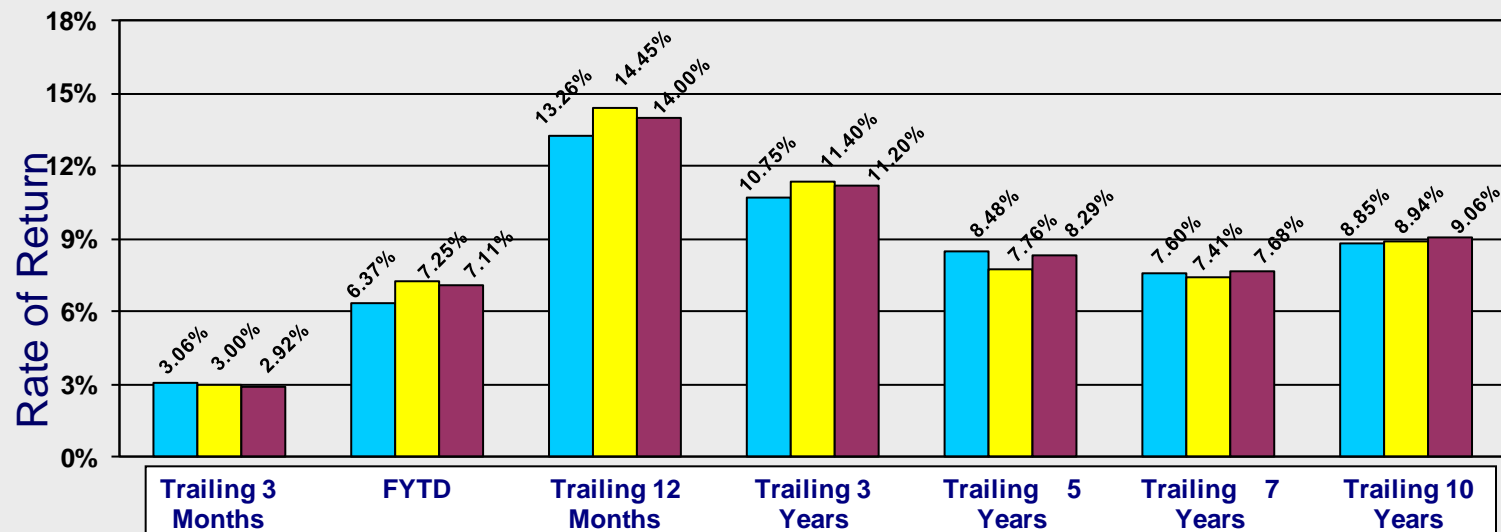
**\$23M** Under Management, **6%** of Total Funds

As of 12/31/12

Enhanced Yield

Citigroup BB& B Index

Citigroup BB& B Capped Index



|                                 | 3 Years | 5 Year | 7 Years | 10 Years |
|---------------------------------|---------|--------|---------|----------|
| Plan Std Dev                    | 6.7     | 10.7   | 9.3     | 8.4      |
| Citigroup BB & B Std Dev        | 6.1     | 11.7   | 10.2    | 9.0      |
| Citigroup BB & B Capped Std Dev | 5.9     | 11.4   | 9.9     | 8.8      |

# New York City Firefighters' Variable Supplements Fund

## Appendix

# Consolidated Performance Report

Through December 31, 2012

| Assets<br>(\$MM)                                  | %<br>Total |                                   | 3 Mos<br>Oct-12<br>Dec-12 | YTD<br>Jan-12<br>Dec-12 | 1 Yr<br>Jan-12<br>Dec-12 | 3 Yrs<br>Jan-10<br>Dec-12 | 5 Yrs<br>Jan-08<br>Dec-12 | 10 Yrs<br>Jan-03<br>Dec-12 | 15 Yrs<br>Jan-98<br>Dec-12 |
|---|------------|-----------------------------------|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| <b>EQUITY MANAGEMENT</b>                          |            |                                   |                           |                         |                          |                           |                           |                            |                            |
| 190.69  | 49.18      | BLACKROCK R3000                   | 0.25                      | 16.40                   | 16.40                    | 11.19                     | ****                      | ****                       | ****                       |
| 190.69  | 49.18      | <b>TOTAL DOMESTIC EQUITY</b>      | 0.25                      | 16.40                   | 16.40                    | 11.19                     | 2.09                      | 7.69                       | 5.00                       |
|   |            | RUSSELL 3000                      | 0.25                      | 16.42                   | 16.42                    | 11.20                     | 2.04                      | 7.68                       | 4.81                       |
| <b>INTERNATIONAL EQUITY<br/>DEVELOPED MARKETS</b> |            |                                   |                           |                         |                          |                           |                           |                            |                            |
| 46.49   | 11.99      | THORNBURG                         | 5.68                      | 17.67                   | 17.67                    | 6.14                      | -1.83                     | ****                       | ****                       |
| 46.53   | 12.00      | <b>TOTAL DEVELOPED MARKETS</b>    | 5.68                      | 17.65                   | 17.65                    | 6.17                      | -1.80                     | 8.01                       | 5.02                       |
|   |            | 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>                           |            |                                   |                           |                         |                          |                           |                           |                            |                            |
| 15.57   | 4.02       | STATE STREET                      | 7.99                      | 18.12                   | 18.12                    | 5.16                      | -2.49                     | ****                       | ****                       |
| 15.57   | 4.02       | <b>TOTAL EMERGING MARKETS</b>     | 7.99                      | 18.12                   | 18.12                    | 5.16                      | -2.49                     | ****                       | ****                       |
|   |            | MSCI EMERGING MARKETS FREE        | 5.61                      | 18.63                   | 18.63                    | 4.98                      | -0.61                     | 16.88                      | 9.24                       |
|   |            | EMERGING MARKETS MEDIAN           | 6.10                      | 20.02                   | 20.02                    | 6.46                      | 1.11                      | 17.83                      | 10.92                      |
| 62.10   | 16.02      | <b>TOTAL INTERNATIONAL EQUITY</b> | 6.25                      | 17.76                   | 17.76                    | 5.89                      | -1.99                     | 9.21                       | ****                       |

# Consolidated Performance Report

Through December 31, 2012

| Assets (\$MM) | % Total |  | 3 Mos<br>Oct-12<br>Dec-12 | YTD<br>Jan-12<br>Dec-12 | 1 Yr<br>Jan-12<br>Dec-12 | 3 Yrs<br>Jan-10<br>Dec-12 | 5 Yrs<br>Jan-08<br>Dec-12 | 10 Yrs<br>Jan-03<br>Dec-12 | 15 Yrs<br>Jan-98<br>Dec-12 |
|---------------|---------|--|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
|               |         | <b>REAL ESTATE EQUITY SECURITIES</b>             |                           |                         |                          |                           |                           |                            |                            |
| 11.19         | 2.89    | MORGAN STANLEY                                   | 2.69                      | 18.11                   | 18.11                    | 19.06                     | 6.74                      | ****                       | ****                       |
| 11.19         | 2.89    | <b>TOTAL REAL ESTATE EQUITY SECURITIES</b>       | 2.69                      | 18.11                   | 18.11                    | 19.06                     | 6.74                      | ****                       | ****                       |
|               |         | DJ US SELECT REAL ESTATE SECURITIES              | 2.31                      | 17.09                   | 17.09                    | 17.87                     | 4.92                      | 11.57                      | 8.78                       |
| 263.98        | 68.08   | <b>TOTAL EQUITY-PUBLIC &amp; PRIVATE</b>         | 1.56                      | 16.76                   | 16.76                    | 10.42                     | 1.43                      | 8.32                       | ****                       |
|               |         | <b>FIXED INCOME MANAGEMENT</b>                   |                           |                         |                          |                           |                           |                            |                            |
|               |         | <b>GOVERNMENT</b>                                |                           |                         |                          |                           |                           |                            |                            |
| 15.68         | 4.04    | PIMCO -GOVT                                      | 0.08                      | 4.36                    | 4.36                     | 10.59                     | ****                      | ****                       | ****                       |
| 15.68         | 4.04    | <b>ALL GOVT-FIRE FIGHTERS</b>                    | 0.08                      | 4.36                    | 4.36                     | 10.59                     | 8.22                      | 6.70                       | 6.70                       |
|               |         | NYC - TREASURY AGENCY PLUS FIVE                  | -0.26                     | 3.84                    | 3.84                     | 10.34                     | 8.13                      | 6.61                       | 6.61                       |
|               |         | <b>MORTGAGE</b>                                  |                           |                         |                          |                           |                           |                            |                            |
| 31.38         | 8.09    | PIMCO -MORT                                      | -0.07                     | 3.15                    | 3.15                     | 5.26                      | ****                      | ****                       | ****                       |
| 31.38         | 8.09    | <b>ALL MORTGAGE-FIRE FIGHTERS</b>                | -0.07                     | 3.12                    | 3.12                     | 5.29                      | 5.41                      | 4.96                       | ****                       |
|               |         | CITIGROUP MORTGAGE INDEX                         | -0.22                     | 2.60                    | 2.60                     | 4.81                      | 5.72                      | 5.13                       | 5.13                       |
|               |         | <b>CREDIT</b>                                    |                           |                         |                          |                           |                           |                            |                            |
| 30.98         | 7.99    | TAPLIN, CANADA -CREDIT                           | 2.11                      | 11.79                   | 11.79                    | 9.95                      | 8.34                      | 6.84                       | ****                       |
| 30.98         | 7.99    | <b>ALL INVESTMENT GRADE CREDIT-FIRE FIGHTERS</b> | 2.11                      | 11.79                   | 11.79                    | 9.95                      | 8.28                      | 6.93                       | ****                       |
|               |         | NYC - INVESTMENT GRADE CREDIT                    | 1.09                      | 9.52                    | 9.52                     | 8.56                      | 7.39                      | 6.17                       | 6.48                       |
| 78.0          | 420.13  | <b>TOTAL STRUCTURED</b>                          | 0.76                      | 6.45                    | 6.45                     | 7.91                      | 7.26                      | 6.13                       | ****                       |
|               |         | NYC - CORE PLUS FIVE                             | 0.29                      | 5.41                    | 5.41                     | 7.30                      | 6.96                      | 5.90                       | 6.48                       |



# Consolidated Performance Report

Through December 31, 2012

| Assets<br>(\$MM) | %<br>Total |                                   | 3 Mos<br>Oct-12<br>Dec-12 | YTD<br>Jan-12<br>Dec-12 | 1 Yr<br>Jan-12<br>Dec-12 | 3 Yrs<br>Jan-10<br>Dec-12 | 5 Yrs<br>Jan-08<br>Dec-12 | 10 Yrs<br>Jan-03<br>Dec-12 | 15 Yrs<br>Jan-98<br>Dec-12 |
|------------------|------------|-----------------------------------|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
|                  |            | <b>ACTIVE TIPS MANAGERS</b>       |                           |                         |                          |                           |                           |                            |                            |
| 10.41            | 2.69       | PIMCO-TIPS-MTA                    | 0.84                      | 7.67                    | 7.67                     | 9.15                      | 7.28                      | ****                       | ****                       |
| 10.41            | 2.69       | <b>TOTAL ACTIVE TIPS MANAGERS</b> | 0.84                      | 7.67                    | 7.67                     | 9.15                      | 7.28                      | ****                       | ****                       |
|                  |            | BARCLAYS GLOBAL US TIPS INDEX     | 0.69                      | 6.98                    | 6.98                     | 8.92                      | 7.05                      | 6.66                       | 7.32                       |
|                  |            | <b>ENHANCED YIELD</b>             |                           |                         |                          |                           |                           |                            |                            |
| 23.07            | 5.95       | T ROWE PRICE                      | 3.06                      | ****                    | ****                     | ****                      | ****                      | ****                       | ****                       |
| 23.07            | 5.95       | <b>ALL ENHANCED YIELD</b>         | 3.06                      | 13.26                   | 13.26                    | 10.75                     | 8.48                      | 8.85                       | ****                       |
|                  |            | 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                       |
| 120.53           | 31.08      | <b>TOTAL FIXED INCOME</b>         | 1.22                      | 7.63                    | 7.63                     | 8.24                      | 7.54                      | 6.59                       | 6.47                       |
| 9.00             | 2.32       | STATE STREET SHORT TERM           | 0.07                      | 0.28                    | 0.28                     | 0.74                      | 0.59                      | 1.62                       | 3.12                       |
| 0.02             | 0.01       | BNY - CD                          | ****                      | ****                    | ****                     | ****                      | ****                      | ****                       | ****                       |
| 3.22             | 0.83       | SECURITIES LENDING                | ****                      | ****                    | ****                     | ****                      | ****                      | ****                       | ****                       |
| 387.74           | 100.00     | <b>TOTAL FIREFIGHTERS</b>         | 1.44                      | 13.80                   | 13.80                    | 9.72                      | 3.70                      | 8.01                       | 6.01                       |
|                  |            | FIREFIGHTERS POLICY BENCHMARK     | 1.53                      | 14.09                   | 14.09                    | 9.65                      | 3.35                      | 8.05                       | ****                       |

## Securities Lending Income

Through December 31, 2012

|      | U.S.<br><u>FIXED INCOME</u> | U.S.<br><u>EQUITY</u> | INTERNATIONAL<br><u>EQUITY</u> |
|------|-----------------------------|-----------------------|--------------------------------|
| 2001 | 73,000                      | 57,000                | - 0 -                          |
| 2002 | 34,000                      | 36,000                | - 0 -                          |
| 2003 | 22,000                      | 48,000                | 59,000                         |
| 2004 | 45,000                      | 93,000                | 45,000                         |
| 2005 | 76,000                      | 147,000               | 61,000                         |
| 2006 | 79,000                      | 192,000               | 63,000                         |
| 2007 | 164,000                     | 293,000               | 51,000                         |
| 2008 | 451,000                     | 492,000               | 65,000                         |
| 2009 | 123,000                     | 231,000               | 45,000                         |
| 2010 | 49,000                      | 204,000               | 31,000                         |
| 2011 | 62,000                      | 211,000               | 51,000                         |
| 2012 | 60,000                      | 201,000               | 36,000                         |

## Footnotes

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### Through December 31, 2012

- Effective 4/1/03 the name of the Core +5 benchmark index provider was changed from Salomon to Citigroup.
- 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 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 \* 50%  
**International Developed (EAFE) Markets:** MSCI EAFE \* 13%  
**International Emerging Markets:** MSCI Emerging Markets \* 4%  
**REITs:** DJ US Select Real Estate Securities Index \* 3%  
**Domestic Fixed Income:** NYC Core +5 \* 21%  
**TIPS:** Barclays Capital U.S. TIPS \* 3%  
**Enhanced Yield:** Citigroup BB&B \* 6%

# Glossary of Terms

Through December 31, 2012

## Page 9 - 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.*