INVESTMENT POLICY STATEMENT

Adopted
November 23, 2004

Amended through
June 30, 2013

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SECTION I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

The Board of Trustees (Board) of the New York City Employees' Retirement System (NYCERS) has determined that it will establish a written, comprehensive and integrated Investment Policy Statement (IPS) in furtherance of the management and investment of its assets (the Fund).

The Investment Policy Statement sets forth the investment objectives and philosophy of NYCERS' investment program, as well as its major components, procedures and policies relating to risk tolerances, liquidity needs, asset allocations and rebalancing ranges. The Statement sets forth procedures to oversee and evaluate the overall performance of the Fund. The Statement further provides a procedural framework for the Board of Trustees and the Comptroller's Bureau of Asset Management ("BAM") to select, retain, monitor and evaluate the performance of Investment Managers, Consultants and others.

Separately approved Investment Policy Statements for Alternative Investments, including Private Equity, Real Assets, Economically Targeted Investments, Opportunistic Fixed Income and Hedge Funds are appended hereto and made a part of this overall Policy by reference (see Appendices).

SECTION II. INVESTMENT POLICY ROLES

A. Board of Trustees

Pursuant to the New York City Administrative Code, NYCERS is administered by the Board of Trustees, which is comprised of eleven voting members, as described below.

1. A representative of the Mayor, appointed by the Mayor, is entitled to cast one vote. The Mayor may designate, by written authorization filed with the Board, one or more members of his or her office to act in place of the representative in the event of his or her absence. The Mayor's representative or designee is the Chair of the Board.

2. The Public Advocate is entitled to cast one vote. The Public Advocate may designate, by written authorization filed with the Board, one or more officers or employees appointed by him or her to act in his or her place as a Board member.

3. The Comptroller is entitled to cast one vote. The Comptroller may designate, by written authorization filed with the Board, one or more officers or employees appointed by him or her to act in his or her place as a Board member.

4. Each Borough President is entitled to cast one-fifth of a vote and may designate,

by written authorization filed with the Board, his or her Deputy Borough President, Executive Assistant to the Borough President or Counsel to the Borough President to act in his or her place as a member of the Board.

5. Three employee representatives are entitled to cast one vote each. The Chief Executive Officer of each of the three employee organizations designated will be one of the representatives. The City's Director of Labor Relations (or other officer performing the same or similar functions under another title) will designate, in writing filed in his or her office and with the Board, the three employee organizations that represent, for the purposes of collective bargaining on pension matters, the largest number of employees who are members of NYCERS. The designation will be reviewed annually by such director or other officer, and if the review discloses a change in the standing of the employee organizations concerned, the designation shall be revised to specify the three employee organizations having leading representational status.

   Any employee representative may designate, by written authorization filed with the Board, one or more persons to act in the place of such Board member, in the event of the member's absence, provided that the bylaws or constitution of the organization of which he or she is Chief Executive Officer authorize such designation.

As provided in the New York City Administrative Code, each act of the Board shall be by a resolution adopted by at least three and three-fifths votes. The concurrence of one employee representative and one non-employee representative member or members entitled to one vote are necessary for an act of the Board. A quorum of the Board consists of members entitled to cast at least three and three-fifths votes.

The Board, as a fiduciary, is responsible for the management of the Fund. Activities of the Board include the following:

- Establish and adopt written investment policies, including delegations of authority, desired risk levels, investment time horizons, and proxy voting policies. The written investment policies will guide the management of the Fund consistent with the Fund's investment goals and objectives.

- Adopt an appropriate asset allocation strategy that diversifies assets in a manner consistent with the Board's risk/return objectives.

- Consider and approve appropriate investment strategies.

- Determine the Investment Manager structure for implementation of investment strategies, including such factors as manager style and active vs. indexed management approaches.

- Select Consultants and Investment Managers to implement the investment strategies.

- Approve the commencement, strategy, and settlement of securities litigation,.

- Monitor the performance of Plan assets as well as the investment activities of all Investment Managers and Investment Consultants as they affect Plan assets.

- Approve reasonable and necessary investment expenses to acquire, manage and protect Plan assets.

B. Comptroller

Under the New York City Administrative Code, the Comptroller serves as a trustee of the Board and as custodian for NYCERS' assets. As custodian, the Office of the Comptroller, by and through the Bureau of Asset Management (BAM), performs activities including:

- Selection of one or more custody banks, including a Master Custodian for the safekeeping of NYCERS' assets, and monitoring of the performance of the custodians.

- Reconciliation of the monthly accounting statements rendered by the Master Custodian with (a) daily information on trades and positions of publicly traded securities provided by Investment Advisors; and (b) periodic information provided by Managers and Consultants regarding illiquid securities. The reconciled statements are provided to NYCERS' Chief Accountant and form the basis for the investment performance sections of NYCERS' financial statements.

- Review, audit and processing of payments to Investment Advisors, Investment Counsel, and Consultants.

By delegation, which is reviewed annually by the Board, the Comptroller also serves as Investment Advisor to the Fund.

In its role as Investment Advisor, the Office of the Comptroller provides investment advice, implements Board decisions, and reports on investment performance. In carrying out these functions, BAM:

- Advises the Board on all investment issues, including:
  - Investment policy and strategy
  - Asset allocation
  - Manager structure
  - Manager selection

    - Financial and economic developments that may affect the Plan.

- Evaluates and recommends to the Board potential investment partners, Managers and Consultants for NYCERS' assets pursuant to established procedures and Board policies.

- Provides the NYCERS Proxy Committee analyses of proxy issues and vote recommendations, votes proxies of domestic equity securities, and recommends and implements NYCERS' annual ownership initiatives.

- Informs the Board of significant developments regarding NYCERS' assets.

- Implements Board investment decisions.

- Rebalances the portfolio within ranges established by the Board.

- Implements portfolio transitions to effectuate Board decisions.

- Negotiates, enters into, renews, administers and terminates agreements with Investment Managers, Consultants and investment partners on behalf of the Board.

- Directs Investment Managers to sell assets to meet NYCERS' liquidity needs, and transfers cash to NYCERS' accounts.

- Monitors the performance of Investment Managers who have been selected by the Board, and reports regularly to the Board on potential issues requiring Board attention.

- Provides regular reports to the Board on the performance of Plan assets.

In executing each of these responsibilities, BAM works closely with Consultants selected by the Board.

C. Executive Director

The NYCERS Executive Director is responsible for the internal administration of the Retirement System. The Board appoints the Executive Director. He or she insures the accurate and timely payment of all benefits and the proper accounting of all financial transactions. He or she creates and safeguards the System's records, and satisfies the System's external reporting requirements.

The Executive Director organizes Board meetings and reports to the Board on operational issues, benefit payments, and service levels. He or she translates the statutory structure of the Plan into efficient operating procedures and incorporates new state and federal legislation into the procedures.

D. Actuary

In its determination of an Investment Policy, the Board of Trustees incorporates information and advice from the Actuary.

In particular, the Actuary provides such insight and guidance as requested with respect to future cash flows, liabilities, risks and the impact of Investment Policy on the funding of NYCERS.

The Actuary advises the Board regarding funding issues, including the level of the Actuarial Interest Rate ("AIR") assumption that the Actuary would support for a given Investment Policy. The Actuary for NYCERS periodically recommends to the Board an AIR assumption, which is currently set at 7.0%[1] per annum, net of expenses. The AIR assumption is ultimately codified in the New York City Administrative Code.

SECTION III. ELIGIBLE INVESTMENTS

The investment of the Fund's assets is governed by federal, state and New York City law. The Board may invest in securities and other eligible investments primarily described in Section 235 of the New York State Banking Law and Article 4-A of the New York State Retirement Social Security Law (RSSL), Sections 176 – 179a, subject to applicable restrictions.

Within the parameters of the law, the Board establishes asset allocations and awards investment management contracts subject to the following overall policies:

- Plan assets generally may be invested in mortgages, bonds, notes and other fixed income securities of U.S. and certain other issuers.

- Up to 70% of Plan assets may be invested in public equities, including common stock, preferred stock, and investment company shares. Within the overall 70% limit:

    - Up to 70% of Plan assets may be invested in equity securities of U.S.-based publicly traded companies that are traded on a U.S. exchange.

    - Up to 10% of Plan assets may be invested in equity securities of non-U.S.-based publicly traded companies that are traded on a U.S. or foreign exchange and meet certain other requirements.

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[1] Per The Actuary's Resolution of February 2012 and subsequent legislative change consistent with Chapter 3 of the Laws of 2013.

    - Additionally, up to 10%[2] of Plan assets may be invested in U.S. equity real estate. These investments are included in the overall 70% limit on public equities, even if the underlying securities are not publicly traded.

- In addition, under RSSL Section 177's Basket Clause, the Fund may invest up to 25% of its assets in investments that do not qualify or are not otherwise expressly authorized under RSSL Section 177 or other provisions of law, subject to certain limitations. Examples of such investments include:

    - Equity real estate in excess of 10% of the market value of Plan assets.

    - Private equity investments.

    - Other investments that do not qualify or are not expressly authorized under RSSL Section 177 or other provisions of law.

- Further, the Board adopted a resolution to prohibit investments in companies that receive more than 20% of their total revenues from the manufacture of civilian firearms or ammunition (the Gun Manufacturers) and to divest from all such investments within the Fund. This prohibition is applicable to both public and private investments. [3]

SECTION IV. INVESTMENT OBJECTIVE

The overall investment objective of NYCERS is to achieve a competitive market rate of return compatible with its risk tolerance and with prudent investment practices, and which, together with employee and employer contributions, will allow it to meet current and future benefit obligations and plan expenses.

NYCERS maintains a long-term perspective in formulating and implementing its Investment Policy, and in evaluating its investment performance because of the long-term nature of its liabilities.

In implementing its investment objective, the Board considers capital market assumptions on projected returns and risk of a variety of asset classes, as well as the current AIR assumption.

The AIR assumption is a key actuarial assumption affecting future NYCERS' funding rates and pension liabilities. Based on the actuarial assumptions and methods

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[2] Per Legislative change to the NYS RSSL in February 2011

[3] In April 2013, the Board adopted a resolution to prohibit investments in Gun Manufacturers.

recommended by the Actuary and adopted by the Board, a 7.0%[4] per annum return on assets, together with employee and annual employer contributions, is expected to fully fund the Plan over time in order to allow it to meet current and future benefit obligations. Investment performance that exceeds or underperforms the AIR assumption may materially affect future funding rates. The Board seeks to have long-term investment performance that will equal or exceed its AIR assumption.

SECTION V. INVESTMENT PHILOSOPHY AND STRATEGY

The IPS establishes the investment philosophy and strategy of the Board, as well as implementation procedures. The Board may review and revise the IPS from time to time as market conditions or other factors make such revisions advisable.

The Trustees expect asset allocation to be the primary determinant of the Fund's ability to achieve its investment objective. For this reason, equities, and in particular U.S. equities, comprise the largest portion of the System's assets. The Board also strives to diversify the portfolio. Diversification is achieved by investing in asset classes such as fixed income, real assets, and private equity – asset classes in which price movements are less correlated with the price movements of U.S. equities. Moreover, the Board seeks to diversify its portfolio by capitalization, geography, economic sector, and other relevant factors.

Expected returns for asset allocation purposes are calculated based on five to ten-year capital market expectations. Return expectations are consistent with Modern Portfolio Theory in that, for example, equities are expected to generate a higher return than fixed income instruments over the long run, commensurate with their higher expected risk.

The Fund maintains a long-term investment focus implemented through a policy of rebalancing assets to policy weights on a regular basis. Although the Board reviews performance of the Fund, and of individual Managers, on a quarterly basis, and compares them to established benchmarks, the Board establishes long-term strategy through asset allocation studies conducted at least every five years (or more frequently if the Board deems appropriate). These studies assess long-term expected capital market returns, and include reviews of the Manager structure used to implement the asset allocation policy. The Board may also conduct an asset/liability study when, in its discretion, it believes such a study could assist in the asset allocation process.

SECTION VI. ASSET ALLOCATION AND REBALANCING

When the Board desires to conduct an asset allocation review, BAM works with NYCERS' general Consultant (the "Consultant") to present the Board with alternative

[4] Per The Actuary's Resolution of February 2012 and subsequent legislative change to Chapter 3 of the Laws of 2013.

structures reflecting different risk and return scenarios and asset class diversification strategies. In recommending capital market assumptions and considering asset classes, BAM and the Consultant coordinate their efforts with those of the general Consultants to the other New York City Retirement Systems. The Board establishes an asset allocation based on the analyses and recommendations of BAM and the Consultant (in particular, on a mean-variance optimization model) and on the input provided by the Actuary. Any resulting changes in asset allocation are incorporated into the Investment Policy Statement.

At the direction of the Board, BAM implements the asset allocation policy. To implement changes to the Fund's asset allocation, BAM issues requests for proposals ("RFPs") or, in the case of illiquid investments, coordinates, with specialist Consultants, a competitive process for the selection of investments (in either case, the "Investment Selection Process"). At the end of the Investment Selection Process, the Board selects Advisors, Managers or other vendors, where appropriate, to invest and manage funds. BAM arranges funding to the Manager(s) selected by the Board consistent with these decisions.

NYCERS adopted its current target Long Term Strategic Allocation (asset allocation) in May 2011. The Table below shows the most recently adopted allocation.

Subsequent to the Asset Allocation adopted in May 2011, the NYCERS Board approved new rebalancing ranges and interim asset class holding places (parking places) for unfunded commitments. The rebalancing ranges and parking places below were adopted by the Board in December of 2011. Unfunded allocations to Hedge Funds, Private Equity, Opportunistic Fixed Income, and Real Assets are temporarily allocated as per the Footnote Table below the asset allocation Table .

	Adopted Long Term Strategic Allocation	**Rebalancing Range**
Equity Securities		
Domestic Equity	32.6%	+/-4
International - EAFE	10	+/-3
International -Emerging Markets	6.9	+/-2
Hedge Funds	4	+/-2
Private Equity	7	+/-2
Real Assets	6	+/-2
Total Equity*	**66.5%**	**+/-5**
Fixed Income Securities		
Core +5 Fixed-Income	19	+/-5
Enhanced Yield**	4	+/-2

Opportunistic Fixed	5	+2/-5
TIPS	4.5	+/-1.5
Convertible Bonds	1	+/-1
Total Fixed-Income	**33.5%**	**+/-5%**

* Note that the range of +/-5% on Equity should not generate rebalancing actions. Rather, a breach should generate a conversation with the Board on possible actions, particularly when triggered by Private Equity.

** Effective July 2012, the Board also adopted a specific allocation of up to 1/3 of the Enhanced Yield allocation to Leveraged Loans (aka Bank Loans).

Footnote: "Parking places" for unfunded allocations are as follows:[5]

Private Equity	100% Global Equities	
Hedge Funds	50% Global Equity	50% Core+ 5
Opportunistic Fixed Income	50% Core +5	50% Enhanced Yield
Real Assets	50% Core +5	50% Domestic Equities

Capital market expectations associated with this asset allocation embody a forecast that this asset allocation will achieve an average annualized return of 7.33% gross of expenses, over a market cycle. Because markets are volatile, actual investment returns, even in a broadly diversified portfolio, will likely fall in a range around the expected return in any given year. While the Board intends diversification and rebalancing to reduce the volatility of the total portfolio, volatility cannot be eliminated. Based on the assumptions used in establishing this asset allocation, in any given year, the Board expects the standard deviation of its returns to be within 12.9% of the average annualized returns noted above.[6]

Assets are rebalanced to ensure that the System's actual investment mix remains consistent with its asset allocation policy. Volatility in the capital markets and/or over- or under-performance of a particular asset class drive the need to rebalance. The Board reviews its asset mix on a quarterly basis. This range is designed to constrain the

[5] The parking places were adopted by the Board in December 2011.

[6] The average annualized return and accompanying standard deviation were adopted by the Board as a part of the asset allocation decision in May 2011.

extent to which changes in capital markets result in long-term divergences between asset allocation policy and actual investment mix. Significant or extended divergences from policy must have the approval of the Board.

BAM implements the Board's rebalancing policy. BAM monitors the actual investment mix and compares it with the asset allocation policy on a monthly basis. The primary tool for controlling asset class exposure is the payment of pension benefits and expenses from Fund assets. As funds are needed for these payments, BAM seeks to liquidate assets in overweight classes. Assets are liquidated with a goal of maintaining the Board's allocation decisions to asset classes and to portfolio structure targets within asset classes.

In implementing the rebalancing policy, maximizing the alignment of actual and policy asset allocation is not the sole consideration. BAM is authorized to take into account factors which a prudent investor might reasonably consider in purchasing or selling securities such as the size of the asset class, liquidity constraints of each asset class, and relative transaction costs and fees.

Other rebalancing interventions may occur when benefit and expense payments are insufficient to keep asset class exposures within the target or in response to a change in asset allocation policy.

In the event that payments of benefits and expenses are insufficient to keep the System's actual investment mix within the established ranges for the policy's asset classes, or where rebalancing is necessitated by a change in asset allocation policy, BAM implements a plan for liquidating assets in the over-weighted asset class(es) and transferring assets to the under-weighted class(es). In constructing the plan, BAM considers the size of the asset class, the liquidity constraints of each asset class and the transaction costs and fees connected with any such liquidation and transfer.

Coincident with the asset allocation study, the Board reviews with its Consultant the [7]parking places for unfunded commitments to illiquid asset classes and the rebalancing/pacing ranges for each asset class and makes revisions to those ranges that seem appropriate given changes in capital market conditions.

SECTION VII. GUIDELINES

BAM adopts detailed investment guidelines for Investment Managers to ensure implementation of Board mandates. Managers are responsible for certifying their compliance with guidelines on a quarterly basis. BAM also monitors guideline compliance through the Master Custodian's data reporting system.

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[7] Parking places, rebalancing ranges, and pacing ranges were adopted in December 2011.

SECTION VIII. LIQUIDITY

The Fund's asset allocation policy does not include an allocation to cash. Managers are generally expected to be fully invested but may maintain limited cash balances to manage duration of bond portfolios, or as a result of implementing purchases or sales of assets. Cash balances at the Total Fund level for liquidity are expected to remain below 5%,[8] except in unusual circumstances. Cash in excess of 5% will require prior notification to, and approval by the Board.

SECTION IX. ROLES AND RESPONSIBILITIES OF SERVICE PROVIDERS

The Board retains service providers to assist in the management of the Fund. Such providers include, but are not limited to, Investment Advisors, general and specialist Investment Consultants, and attorneys. The providers perform in a fiduciary capacity and must exercise the requisite duties of care and loyalty to NYCERS. The Office of the Comptroller retains the Master Custodian and sub-custodians for the Fund.

A. General Consultant

The Board employs a general Consultant, which performs as a fiduciary to the Board. The responsibilities of the Consultant include:

- Advising the Board on the investment of NYCERS' assets.
- Assisting the Board to maintain and update the Investment Policy Statement
- Advising the Board regarding strategies for the allocation of assets across capital markets that will generate a long-term return consistent with the Board's investment objectives and risk tolerance.
- Developing cost-effective structures for the implementation of the Board's asset allocation that will maximize excess returns by Managers while minimizing the volatility of the returns.
- Assisting BAM in identifying potential Investment Managers, in conducting research in screening Managers and in negotiating Investment Manager contracts.

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[8] The new liquidity tolerance level was adopted by the Board as a part of the Asset Allocation rebalancing decision in December 2011

- Monitoring the Investment Managers employed by NYCERS and providing reports and analyses to the Board and BAM relating to material events such as, but not limited to, relative performance, material changes to senior personnel, investment process and organization.

- Preparing presentations or position papers on topical issues and specific projects.

- Attending meetings as required.

B. Investment Managers

Fund assets generally are managed externally by Investment Managers retained by the Office of the Comptroller, acting on behalf of and with authorization from the Board. Exceptions include:

- Certain short-term cash reserves managed by the Master Custodian or by BAM;

- Certain assets lent or invested in through Securities Lending program(s)

- Certain economically targeted investments, managed by BAM;

- Limited partnership investments, that are managed by general partners under limited partnership agreements pursuant to the Board's Alternative Investment Policy and Real Estate Investment Policy.

Investment Managers are identified through an RFP process and are required to enter into an investment advisory contract. Responsibilities include:

- Arranging, ordering and monitoring the purchase and sale of securities for the System's portfolio. The Investment Manager at all times must exercise the highest standard of care to which a professional, ERISA fiduciary or Investment Advisor is subject.

- Adhering to portfolio investment guidelines, including maintaining risk management and oversight policies designed to ensure compliance.

- Advising BAM on possible portfolio guideline amendments that, given the dynamic nature of the capital markets are in the best interest of the System.

- Advising BAM on capital actions relating to securities in or proposed for the portfolio.

- Providing accurate and timely information to the Master Custodian or sub-custodian and to BAM, regarding security transactions and positions.

- Submitting monthly and quarterly reports summarizing portfolio activity.

- Reporting significant changes in ownership or control of the firm or changes in organizational structure or professional staffing.

- Attending account review meetings as necessary, but on at least an annual basis.

C. Master Custodian

By statute, the Comptroller is the custodian of the assets of NYCERS and the other New York City Retirement Systems. Assets include cash (in any currency), securities, any other investments or the product thereof, and earnings and profits generated by those the same.

As Custodian, the Comptroller retains by Agreement a Master Custodian to safeguard the property of the funds that the Custodian or its agents, representatives or sub-custodians may receive from time to time for deposit and or other purposes. (In the case of certain assets such as international equities in commingled accounts, other custodians may be retained to serve as custodians of particular accounts.)

The Master Custodian and its agents and sub-custodians are fiduciaries to the Comptroller, NYCERS, and other Systems and Funds.

The Master Custodian provides many services. It holds the Fund Accounts, effects purchases and sales of the securities, operates a securities lending program for the benefit of NYCERS (see Section XIV), collects income that becomes due and payable on property held in the accounts, makes payment from the accounts at the Comptroller's direction, and maintains books and records to clearly identify cash, securities and other property. Except for specific accounts in which another custodian assumes some of its responsibilities, the Master Custodian is responsible for the safekeeping of all assets, transaction processing, reporting, performance measurement and compliance,

The Master Custodian is also responsible with respect to the various NYCERS portfolios for:
- the preparation, audit and distribution of investment account reports,
- plan accounting,
- performance calculation and reporting of the portfolios, using industry-accepted standards,
- specialized reporting,
- risk reporting,

- providing the Comptroller with the underlying portfolio data and reports needed to monitor compliance with legal restrictions, investment guidelines and other policies set by NYCERS,
- providing the Comptroller the underlying data to support NYCERS' proxy voting, and
- provides notification of class actions, files class action settlement proofs of claims on NYCERS' behalf and collects and posts settlements to various accounts.

D. Private Equity Consultant

NYCERS retains one or more specialist private equity Consultants (the "PE Consultant(s)" to assist in the implementation of its strategic allocation to the private equity asset class. The Consultant(s) are fiduciaries and advise BAM and the Board on all aspects of its private equity investment program. The responsibilities of the PE Consultant(s) include:

- Providing strategic advice:
  - Periodic assessments of industry best practices with regard to policies and procedures.
  - Analysis of NYCERS' existing private equity portfolio.
  - Recommendations with respect to proposed sub-asset allocations (e.g., allocations to corporate finance/buyout funds, venture capital, etc.).
  - Annual and longer-term pacing analyses, translating the NYCERS allocations to private equity, sub-asset allocations and existing portfolio into proposed investment plans.
  - Periodic reports on the state of the private equity marketplace.
  - Such other strategic advice and services as NYCERS or BAM may reasonably require.
- New investment identification and evaluation, including:
  - Periodic reports on current and anticipated investment opportunities.
  - Specific summary and detailed due diligence reports on prospective individual private equity, limited partnerships and other investment opportunities and evaluating the investment merits of such opportunities in the context of the NYCERS portfolio, policies and plans.

- Detailed non-legal assistance in the negotiation and documentation of authorized commitments.

- Portfolio monitoring

  - Periodic and real-time reports on developments at and performance of individual partnerships in the NYCERS' portfolio.

  - Where necessary, advising on and assisting in actions to protect the interests of NYCERS as an investor and to ensure compliance by general partners with the terms of their partnership agreements.

  - Reviewing and recommending courses of action on partnership amendments.

  - Meeting regularly with the Comptroller's staff and making regular presentations to the Board concerning each of these areas of work, as well as individual investment opportunities, and such other topics as the Board or BAM may request.

E. Real Asset Consultants

NYCERS retains consultants (the "Real Asset Consultants") to assist in the implementation of its strategic allocation to Real Assets. NYCERS may retain different consultants for the different component asset classes. The strategic allocation to the asset class is recommended to the Board by its General Consultant. The Real Asset Consultants are fiduciaries and advise Staff and NYCERS on all aspects of its Real Assets Program. The responsibilities of the Real Asset Consultants include, but are not limited to:

- Providing Strategic Advice:

  - Providing advice to the Board and Staff with respect to the development and operation of the Program, including advice on industry developments and portfolio construction.

  - Assisting the Board and Staff in developing the Real Assets Program IPS, as well as policy statements for component asset classes, and assist in conducting periodic reviews of the IPS and the Program.

  - Together with Staff, provide an annual and a longer term plan for the Program;

  - Periodic assessments of industry best practices with regard to policies and procedures;

  - Analysis of NYCERS' existing Real Assets Program;
  - Periodic reports on the state of the Real Asset marketplace;
  - Attending meetings of the Board and providing educational seminars for the Trustees;
  - Such other strategic advice and services as NYCERS or Staff may reasonably require;

- New investment identification and evaluation, including:
  - Assisting Staff in identifying, evaluating and recommending investment opportunities and terminations consistent with the IPS and believed to be appropriate for the Program, including conducting due diligence with respect to new investments, as requested;
  - The manager's ability to comply with the Board's investment policies and restrictions;

- Periodic reports on current and anticipated investment opportunities.

- Assisting Staff with the implementation, negotiation and execution of new commitments and/or investments;

- Portfolio monitoring: and such other topics as the Board or BAM may request.
  - Assisting Staff with the ongoing review of committed investments, including reports to the Board on significant manager developments, proposed amendments to fund documentation and investment performance;
  - Periodic and real-time reports on developments at and performance of individual investments in the NYCERS portfolio.

F. Hedge Fund Consultant[9]

To effectively implement its hedge fund program, the Board has retained a specialist

[9] The Board voted to adopt an allocation to Hedge Funds in March 2011, and voted to hire a Consultant for the Program in October 2010.

Consultant for hedge funds. The Hedge Fund Consultant is a fiduciary to the Board and BAM. The Consultant advises the Board and BAM on all aspects of its hedge fund investment program. Responsibilities of the Hedge Fund Consultant include:

- Providing advice to the Board and Staff with respect to the development and operation of the Program, including advice on industry developments and portfolio construction, with the goal of an overall Program risk/return profile deemed appropriate by the Board, Staff and the Consultant and monitoring capital markets for investment strategies and investment opportunities;

- Assisting the Board and Staff in developing the IPS and in periodic reviews of the IPS and the Program;

- Together with BAM, provide an annual Tactical Plan for the Program

- Assisting Staff in identifying, evaluating and recommending investment opportunities and terminations consistent with the IPS and believed to be appropriate for the Program, including conducting due diligence with respect to new investments, as requested;

- Assisting Staff with the implementation, negotiation and execution of new investments;

- Assisting Staff with the ongoing review of committed investments, including reports to the Board on significant manager developments, proposed amendments to fund documentation and investment performance, and periodic and timely review of the risk of the Systems' investment portfolios (although it is recognized that the ability to provide any such review is limited with respect to hedge funds due to the nature of the underlying hedge fund investments);

- Fulfilling such other purposes as the Board, and BAM staff may approve and consultant may agree to.

SECTION X. INVESTMENT MANAGERS

A. Manager Selection - Public Markets

The Board selects Investment Managers to manage NYCERS' assets through a competitive RFP process described below. The Board seeks Managers that will provide superior investment management performance. In selecting Managers, the Board evaluates investment management and decision making capabilities, organizational characteristics, including ownership, management and regulatory issues, the performance of potential Managers in specific investment mandates, and fees.

1. Process

- BAM, working with the Consultant, develops and the Board approves a Scope of Services document that defines the investment services sought, the minimum requirements for proposers, and evaluation criteria.

- BAM issues the approved RFP to firms in BAM's database and to firms suggested by the NYCERS consultant(s) and to respondents to advertisements placed in widely distributed industry periodicals.

- BAM, with the Consultant's input, scores the proposals to identify a "short list" of respondents to be interviewed based on technical proposals received in response to the RFP. BAM notifies the Trustees of the interview schedule.

- At one or more meetings open to all Trustees, BAM, with the participation of the Consultant, conducts interviews.

- BAM rescores the proposals with the additional information obtained at the interviews and with the Consultant's input.

- BAM ranks and recommends finalists to be interviewed by the Board for potential selection.

- The Board invites the firms which they have selected as finalists to make presentations. The Board conducts interviews of each of the selected finalists.

- The Board selects Managers, and with the assistance of BAM and the Consultant, allocates assets to each firm. In making its final selection, the Board may consider such factors as:

    - The quality and depth of the Manager's investment team,

    - The Manager's clear articulation of its investment strategy, and

    - The Manager's successful execution of its strategy over time, as evidenced by, for example:

        - Analysis of the Manager's historical quarterly performance calculated on a time-weighted basis, compared to a Global Investment Performance Standards (GIPS) compliant composite of all fully discretionary accounts of similar investment style.

        - Performance evaluation reports prepared by BAM with the assistance of the Consultant that illustrate the risk/return profile of the Manager relative to other Managers.

- Significant or adverse regulatory issues.

➢ The Manager's compliance and information systems.

- BAM negotiates contracts with selected firms.

- BAM funds the Managers' portfolios in accordance with the Board's mandate.

2. General Requirements

Managers selected to manage publicly traded assets for NYCERS must be registered investment advisers under the Registered Investment Advisers Act of 1940 or a bank or trust company as defined in the Act. Managers shall not be the subject of regulatory or enforcement actions, pending or threatened litigation, or legal judgments that in the Board's judgment would impair the Managers' ability to provide expert investment management services to NYCERS.

3. Contract Renewal Policy

Contracts with Investment Managers, Consultants, and other service providers are generally awarded for an initial term of three years, and may be extended at the option of the Board twice for a maximum of three years per extension.

Contracts will provide that the Board may terminate a service provider on 30 days' notice.

B. Manager Selection - Private Markets

NYCERS invests in private equity using a top-down process, seeking to identify investment opportunities which represent superior opportunities relative to the marketplace as a whole and relative to other investment opportunities with a similar strategy. In addition, such opportunities must demonstrate a strong likelihood of producing top-quartile performance, including either:

(a) History of top-quartile performance in a clearly articulated and consistent strategy, or

(b) In the absence of a history of top-quartile performance in the specific investment strategy, other superior relevant experience including a combination of:

i. Time together as a team,
ii. Investment track record assembled elsewhere,

iii. Participation in a top-quartile effort, and
iv. Experience working successfully in the articulated strategy.

Pursuant to its Investment Policy Statements for the alternative asset classes, NYCERS each year adopts an Annual Plan, establishing sub-asset allocations as the System may deem appropriate, establishing a pace and volume of targeted investment, and identifying specific targets for investment, including both “re-ups” – renewals of existing relationships – and new investment relationships. The Board may also elect to allocate funds to Managers to invest at their discretion under discrete mandates.

Prospective investment opportunities shall be evaluated by the Consultant(s) and BAM in the context of the Investment Policy Statement, that asset class' Investment Policy and the Annual Plan. BAM shall establish and implement due diligence procedures, and shall present recommendations by the Consultant(s) and/or the Comptroller to the Board.

C. Manager Selection – Economically Targeted Investments

NYCERS invests in Economically Targeted Investments (ETIs). ETIs are investments in a variety of asset classes which generate rates of return commensurate with the overall risk, liquidity, security and structure of comparable non-targeted investments while providing collateral economic benefits (benefits that enhance the quality of life and promote economic development and activity) to the targeted areas. The Board, in its ETI Policy, has established requirements regarding the qualifications of prospective ETI Managers and evaluation criteria, by which prospective investments will be considered.

Each year NYCERS adopts an Annual Plan regarding ETIs. Prospective investment opportunities are evaluated by BAM (and Consultants as appropriate) in the context of the Investment Policy Statement for the relevant asset class, the ETI Policy and the Annual Plan. In identifying ETIs, BAM applies appropriate solicitation processes and due diligence procedures, and presents its recommendations to the Board. The Board considers and authorizes ETI investments.

D. Emerging Managers

The Fund seeks to employ Emerging Managers. Emerging Managers are asset Managers the Board believes will add significant value to the Fund through implementation of investment strategies consistent with the Board's asset allocation and other policies, but which, because of size, length of track record, or other similar factors, have not been awarded contracts through the Board's Manager selection process. Smaller Emerging Managers are typically retained pursuant to a Manager of Managers arrangement, while larger Emerging Managers may be retained directly. The Board implements its Emerging Manager program through a competitive RFP process.

In September 2012, The Board also adopted certain changes to NYCERS' Investment

Policy Statement that would require the Bureau of Asset Management ("BAM") to take additional steps in relation to the Emerging Managers program.

The Emerging Manager program shall include, but not be limited to the following actions and objectives to support the program:

a) Periodic advertising of the existence of the strategy established in this Section so that Emerging Managers are aware of the opportunities made available by this strategy
b) An annual report on:
    i. Investments with Emerging Managers including a comparative analysis of assets invested with Emerging Managers relative to assets invested with all Managers, and
    ii. The progress and success of the efforts undertaken during such period to achieve the goals of the Emerging Manager strategy

c) Maintenance and update of a database of Emerging Managers in consultation with other fiduciary entities
d) A periodic, but not less than annual, conference to promote the Emerging Manager strategy

E. Brokerage

The Board delegates discretion over placement and execution of securities transactions to its Investment Managers. It is the intention of the Board that all securities transactions be effected to the best advantage of the System regarding price and execution. The Board recognizes that "soft dollar" commissions are allowed under Section 28(e) of the Securities and Exchange Act of 1934 (commonly referred to as the "safe harbor" provisions). The Board requires its Investment Managers to provide accounting of soft dollar transactions involving securities of the System. These reports shall be provided periodically upon request to BAM, and shall include the number of shares traded, dollar amount of soft dollar commissions, the brokerage firms to which they were directed, and an explanation of the goods or services received.

The Board supports diversity among brokers providing securities transaction services to its Investment Managers. Managers are encouraged, to the greatest extent possible consistent with best execution, to use minority- and women-owned brokerage firms. Investment Managers report the use of minority- and women-owned brokerage firms to BAM.

SECTION XI. PERFORMANCE MONITORING AND EVALUATION

A. Benchmarks

The Board monitors Fund performance against a variety of applicable benchmarks.

1. Policy Benchmark

To monitor the Fund, the Board adopts a Policy Benchmark which reflects the performance of the markets to which the Board has allocated assets. Because of the allocations to new asset classes in May 2011, the Policy Benchmark was adjusted and will continue to be adjusted as the allocations to hedge funds, opportunistic fixed income, real assets, and other alternative asset classes are funded. The Policy Benchmark serves as a minimum performance objective for the Fund, and allows the Trustees to evaluate the implementation of its asset allocation strategy. The Policy Benchmark will be included in all quarterly evaluation reports of NYCERS. As of December 2012, the asset classes (and their accompanying benchmark) which make up the Policy Benchmark are:

- US Equity: Russell 3000 Index
- EAFE: Morgan Stanley Capital International EAFE Index (Net)
- EAFE Small Cap: S&P EPAC Small Cap Index
- Emerging Markets Equities: NYCERS FTSE Custom Emerging Markets Index
- Emerging Markets Debt: (TBD)
- Core+ 5: Citigroup Core +5 Fixed Income Index
- Enhanced Yield: Citigroup BB & B Fixed Income Index
- Leveraged Loans: Credit Suisse Leveraged Loans Index
- TIPS: Barclays Capital U.S. Inflation-Linked Index
- Convertible Bonds: Bank of America Merrill Lynch All US Convertibles ex-Mandatory Index
- Opportunistic Fixed Income: 10% Absolute Annual Return*
- Private Equity: Russell 3000 Index + 300 bps
- Real Estate: NFI - ODCE Index +100bps(net)
- Infrastructure: Consumer Price Index ("CPI") plus 4% (net)
- Hedge Funds: 1yr Treasury Bill yield + 4%

*The Opportunistic Fixed Income Portfolio is secondarily benchmarked to the JP Morgan Global High Yield Plus 3% for the purpose of capturing the Program's volatility.

2. Asset Class Benchmarks

The Policy Benchmark is composed of benchmarks which have been established for each individual asset class. The Board will review performance of each asset class relative to its selected benchmark on a quarterly basis.

3. Investment Manager Benchmarks

Each Investment Manager is evaluated relative to an Investment Manager Benchmark composed of a market index plus an active management premium reflecting the Manager's particular style or tactical role in NYCERS' investment program. Each Investment Manager Benchmark will be clearly specified, measurable, and, for liquid securities, investable. Benchmarks may be customized for a particular style or styles. The appropriate Investment Manager Benchmark and expected active management premium shall be determined in advance of funding by mutual agreement between the Investment Manager, BAM and the Consultant.

4. Peer Group Analysis

The Board reviews the performance of the Fund relative to a peer group of other major public pension funds on a quarterly basis. However, due to differences in asset allocation, time horizon, and risk tolerance between public pension funds, comparisons of Fund performance to the AIR assumption and Policy Benchmark are the primary evaluation methods used by the Board.

B. Investment Information

The Board monitors the performance of the Fund and of individual Managers through ongoing monthly and quarterly reviews of performance, market developments, and Manager reviews. The Board uses two primary reports to monitor investment information, the quarterly performance report and the monthly flash report. In addition, the Board may monitor individual Managers through the Watch List. BAM and the Consultant also report to the Board periodically on issues identified by BAM, the Consultant, or the Board as requiring additional review.

On a quarterly basis, the Board reviews a performance report that includes a commentary prepared by the Consultant summarizing portfolio developments and performance. The quarterly performance report also provides detailed quantitative information regarding the risk and performance of Plan assets. Performance is evaluated relative to appropriate market benchmarks, peer comparison universes, and a variety of relevant time periods.

In addition, the Board reviews a flash performance report at each investment meeting. The flash performance report includes asset class and policy benchmark returns for the prior fiscal year and estimated fiscal year-to-date returns.

Managers provide daily and monthly reports regarding portfolio holdings and transactions to BAM. Managers also complete a detailed quarterly questionnaire regarding portfolio holdings and organizational developments. Responses to the questionnaire are reviewed by the Consultant and BAM. Material developments affecting the Fund are reported to the Board.

C. Manager Watch List

The Board monitors the performance of its Investment Managers on an ongoing basis, through its quarterly reporting process. In general, Manager performance is evaluated over a full investment cycle.

The Board may terminate a Manager at any time. The Board or BAM may place a Manager on the watch list. When a Manager is placed on the watch list, the Board and BAM will specify the reasons for its decision. After BAM places a Manager on the watch list, BAM will notify the Board. BAM and the Board's General Consultant will report regularly to the Board on the Manager's progress toward resolving the issue(s) resulting in placement on the watch list. After the Manager is placed on the watch list, the Board will, typically within one year, either conclude that the issue(s) have been resolved, or terminate the Manager.

BAM and the Board may take both qualitative and quantitative factors into account in considering whether to place a Manager on the watch list or whether to terminate a Manager. Examples of qualitative factors include concerns regarding personnel, organizational changes, and ethical, legal or regulatory issues. Examples of quantitative factors are lagging performance or indicators that the investment mandate is not being implemented.

1. Watch List Guidelines - Qualitative Factors

The table below sets forth some of the *qualitative* factors that the Board may consider in determining whether to place a Manager on the watch list or to terminate a Manager.

FACTOR	EVALUATION TECHNIQUE	ACTION STEPS
Changes in ownership	Require immediate notification of any pending changes in ownership.	Assess risk that change may negatively affect investment performance.
Turnover of key personnel	Require immediate notification of any changes in personnel involved in the management of the System's assets, or the senior officers	Assess risk that change may negatively affect investment performance.

	of the Manager.	
Litigation	Require immediate notification if the Manager, a parent, or affiliate is involved in any material litigation, regulatory or enforcement action.	Evaluate nature, seriousness and likely impact of charges on the investment process and take appropriate action.
Conflicts of interest	Require Manager to provide immediate written disclosure.	Review to determine if conflict was material and should have been known by Manager and reported to the Board.
Failure to disclose material information which could affect Manager evaluation	Require Manager to provide immediate written disclosure.	Review information to determine materiality and reasons for failure to disclose.

2. Watch List Guidelines - Quantitative Factors

Managers are expected to exceed their Investment Manager Benchmark (which is composed of a market index plus an active management premium) net of fees over rolling five-year periods. Investment performance is measured on a quarterly basis. Failure to outperform or, in the case of index Managers, to match the market index over time will typically result in placement on the watch list or in the Manager's termination. Failure to outperform the Investment Manager Benchmark (net of fees) may result in placement on the watch list after consideration of tracking error, information ratio, and other quantitative and qualitative factors.

Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error relative to a benchmark. The Consultant monitors these factors on a quarterly basis and advises BAM of potential deviations. Indications that a Manager is not maintaining its investment style and philosophy will typically result in the Board placing the Manager on the watch list. BAM and the Consultant will then present to the Board an evaluation of the Manager's consistency with the Board's asset allocation policy and the Manager's stated investment approach.

SECTION XII. RISK MANAGEMENT

The Trustees recognize the inevitability of the assumption of risk in the management of the Fund's portfolio. The issue of risk is considered during many phases of the investment decision and implementation process. Risk will be analyzed during the asset allocation strategy and decision making phase using such analytic tools as optimization, risk budgeting, value at risk and volatility and tracking error analysis. The portfolio is diversified across both the public and private capital markets in order to achieve the optimal balance of risk and return among asset classes. Managers are required to have internal controls and risk management systems appropriate to their investment disciplines. Managers selected by the Board shall provide information adequate in quantity, quality and timeliness to permit BAM, the Custodian and the Consultant to monitor risk and compliance.

SECTION XIII. PORTFOLIO TRANSITIONS

Transition management is an integral part of portfolio management. When the Board terminates a Manager and re-allocates assets to another Manager, or funds a new mandate, the portfolio must be transitioned. In accordance with public procurement regulations, BAM selects and works with transition Managers to implement each transition.

Transitions are to be completed in a cost-efficient manner given the characteristics of the portfolios and market conditions. Cost-efficiency for equity portfolio transitions is measured by an analysis of total implementation shortfall. BAM presents a post-trade analysis of the transition to the Board upon completion.

SECTION XIV. SECURITIES LENDING

The Board has authorized the Comptroller to enter into agreements establishing participation in securities lending programs. Securities lending enables the Fund to use its asset base to augment investment income. It involves the temporary exchange of securities owned by the Fund for other securities or cash of a greater value, with an obligation of the borrower to pay a fee to the Fund, and to return a like quantity of the borrowed securities at a future date. The fee paid by the borrower is agreed in advance, while the Fund has contractual rights similar to those it would have as the beneficial owner of the securities except that the Fund does not retain voting rights on loaned equity securities.

The objective of securities lending is to earn income through a conservatively operated and well controlled program. There is no absolute return expectation; rather, income is expected to be commensurate with the market demand for the securities made available by the Fund and the return earned on the investment of cash collateral. Cash collateral received will be invested in a high-quality investment program that emphasizes the return of principal, maintains required daily liquidity, and ensures diversification across approved investment types. Those objectives are pursued within the parameters governing the program as outlined in the securities lending agreements with agent banks. Each agent bank is required to act as a fiduciary with respect to NYCERS and the Fund, and to have systemic and procedural controls in place to ensure adherence to guidelines for operating the securities lending program on behalf of the Fund. The results of the securities lending program are reported to the Board on a regular basis.

SECTION XV. SECURITIES LITIGATION PROTOCOL

NYCERS' Board of Trustees objectives in choosing an active role in securities litigation include the following:

- Preservation of plan assets and collection of all amounts due to NYCERS;
- Maximizing the net recovery to NYCERS in individual actions and class actions; and
- Effecting corporate governance reforms, when appropriate.

NYCERS will use the process outlined in the Securities Litigation Protocol, (set forth in Appendix 1 Section 9), in evaluating and acting on any situation in which securities litigation may be appropriate.

SECTION XVI. INVESTMENT EXPENSES

It is the policy of the Board that expenses such as consultants' and investment advisors' fees, attorneys' fees and costs, funding for Personal and Other Than Personal Services resources for BAM and other costs that may necessarily be incurred in acquiring, managing and protecting the Fund's investments may be paid from any income, interest or dividends derived from the Fund's deposits or investments. The Board adopts a budget for the incurrence of consultants' and investment advisors' fees, attorneys' fees and other costs. BAM reviews the expenses and costs and arranges for their payment by the custodian bank. Pursuant to a budget, the Board also funds the expenditures of additional resources of Personal Services and Other Than Personal Services for BAM, which will report at least annually to the Board regarding the additional resources.

SECTION XVII. PROXY VOTING POLICY AND SHAREHOLDER INITIATIVES

The duty of pension fund fiduciaries to exercise the voting rights attached to the shares of stock owned by their funds has long been established. In the early 1980s, top officials of the Labor Department's Pension and Welfare Benefits Administration (PWBA) (renamed Employee Benefits Security Administration (EBSA), which enforces fiduciary standards for plan sponsors and Managers, repeatedly stated that the right to vote shares owned by a pension plan is, in itself, an asset of the plan, and, therefore, the fiduciary's responsibility to manage the assets includes voting proxies on issues that may affect the value of the shares.

While official pronouncements and guidance on proxy voting rights primarily have been directed to the private sector institutions which have established Plans governed by

Employee Retirement Income Security Act of 1974 (ERISA), or to the mutual funds industry, many public pension funds, religious and tax-exempt institutions have followed this guidance. Many private and public pension funds have established proxy committees and guidelines for voting their proxies, and exercise their voting rights in accordance with these policies and guidelines.

This general acceptance of the proxy vote as a plan asset is the primary basis on which NYCERS established a Proxy Committee. The Committee promulgates proxy voting policies and procedures, and oversees NYCERS' sponsorship of shareholder proposals to improve corporate governance and corporate social responsibility of companies in which NYCERS invests. NYCERS adopted a "Statement of Procedures and Policies for Voting Proxies" in 1987 which was last amended in 2012[10]. The Proxy Committee seeks to ensure that companies follow sustainable business practices which advance their long-term economic value.

The Board has constituted a Proxy Committee comprised of Trustees representing:

1) The Chair of the Board
2) The Public Advocate
3) International Brotherhood of Teamsters – Local 237
4) District Council 37

The operations of this Committee are described in Appendix 1 Section 11 and are in accordance with the above-mentioned "Statement of Procedures and Policies for Voting Proxies".

SECTION XVIII. ETHICS AND COMPLIANCE POLICY

In furthering the Board's fiduciary duty to manage and invest the assets of the Fund, the Board of Trustees has adopted an Ethics and Compliance Policy (the Ethics Policy) establishing a comprehensive set of written requirements for the Investment Consultants (Consultants) and Investment Managers (Managers) who do or seek to do business with the Fund.

In accordance with the Ethics Policy (appended hereto as Appendix 2), the Consultants and Managers shall submit an Annual Compliance Statement to BAM. Such statement shall include a Certification representing that the Ethics Policy was received and read, and that the Manager or Consultant is in full compliance therewith. It shall also provide appropriate disclosures of real or potential conflicts, and/or of non-compliance with the law or with policies of the Fund or of the City of New York as they may apply to the Consultant or Manager.

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[10] New Proxy Voting Guidelines and additional methods for communicating with the Committee were adopted in April 2012.

To the extent BAM receives or obtains information indicating that the Consultant or Manager is substantially out of compliance with the Ethics Policy and/or substantially in violation of applicable law, BAM will report such information to the Board for whatever action the Board deems appropriate.

SECTION XIX. THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Trustees, acknowledging a duty to act in the best long-term interest of NYCERS' beneficiaries, adopted the UNEP Principles for Responsible Investment on March 28, 2006. It is believed that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios over time and that applying these Principles may better align NYCERS' investments with the broader interests of society. As stated in those principles, it is the intent of the Trustees, where consistent with their fiduciary duties, to:

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which NYCERS invests;
- Promote acceptance and implementation of the Principles within the investment industry;
- Work with other adopters of the Principles to enhance the effectiveness of their implementation; and
- Share information on our activities and progress towards implementation of the Principles.

A copy of the Principles is appended hereto as Appendix 8.

SECTION XX. REVIEW AND MODIFICATION OF THE IPS

The NYCERS Board of Trustees reserves the right to amend the Investment Policy Statement at any time it deems such amendment to be necessary or to comply with changes in Federal, State or City Laws or regulations as these changes may affect the investment of Fund assets. In any event, a review of this Investment Policy Statement shall be undertaken no less frequently than every three years.

The date and a summary description of amendments or modifications to the IPS are recorded below:

Date	Summary of Amendment or Modification
September 2007; 2010 and 2012	Miscellaneous amendments to the US Equity sub-allocations and structure – including decisions on size and style mix and to terminate the Activist program.
February 2008	The Board adopted a 1% allocation to Convertible Bonds from Core+ 5 Fixed Income.
November 2008	The Board adopted the Economically Targeted Investments IPS to implement the allocation to that investment class.
February 2009	The Board approved the restructuring of the Core+ 5 Program.
March 2009	The Board adopted a 1.5% allocation to Opportunistic Fixed Income from Core+ 5 and Enhanced Yield.
October 2010	The Board adopted the ODCE Real Estate Index instead of the NPI as the Real Estate Program’s Benchmark going forward.
October 2010 and March 2011	The Board voted to hire a Hedge Fund Consultant. The Board also voted to adopt the Hedge Fund IPS, approving an allocation to that asset class as well.
February 2011	NYS Retirement Security Law was amended to increase the amount of assets that can be invested in real property; affecting the basket clause.
May 2011	Updated Asset Allocation to reflect new AA approved by the Board in May 2011 including the addition of certain other asset classes, and to update the Board’s policy expectations in general and within asset classes.
June 2011	The Board adopted the Opportunistic FI IPS to implement the allocation to that asset class.
December 2011	Expanded Asset Allocation to update newly adopted rebalancing ranges for all asset classes, to update the cash balance limit for liquidity, and to update “parking places” for unfunded alternative asset classes.
April 2012	New Proxy Voting Guidelines and additional methods for communicating with the Proxy Committee were adopted by the Committee.
February 2012	The Actuary secured a legislative change to reduce the Actuarial Investment Rate from 8% to 7% (net of fees), subsequent to a resolution presented to the Board consistent with Chapter 3 and the Laws of 2013.
July 2012	Board approved Leveraged Loans allocation, dividing High Yield allocation into 2/3 HY and 1/3 Bank Loans, as well as language for inclusion in the IPS for this new asset class.
September 2012	Board approved changes to enhance the emerging managers program, and to require annual reporting on the Program
September 2012	Added a new allocation to Small Cap EAFE to be 10% of the total EAFE Policy allocation, and adopted a new active/passive split for the EAFE Equities asset class.
November 2012	Adopted the updated Private Equity IPS which changed the Benchmark premium over the Russell 3000 Index, among other things.
March 2010; December 2012	Adopted the Real Assets IPS to include Real Estate and any other Real Asset investments, thus approving an allocation to Infrastructure. The new Real Assets IPS also added an active premium of 100 bps to the

	RE Benchmark (ODCE). Implementation of the new Infrastructure asset class to be determined.
April 2013	Board adopted resolution to prohibit investments in Gun Manufacturers and to divest from all such investments within the Fund.
April 2013	The Board adopted a resolution to omit the requirement that evaluation counsel cannot serve as litigation counsel in the same matter, thus amending the Securities Litigation Protocol.
June 2013	The Board approved the expansion of the ETI Public/Private Apartment Rehabilitation Program to include additional NYS Counties.

APPENDIX I - ASSET CLASS AND SPECIFIC POLICIES

1. U.S. Equities

2. International Equities – EAFE Markets

3. International Equities – Emerging Markets
   A. Emerging Markets – General
   B. Emerging Markets Policy Statement

4. Fixed Income – NYC Core +5 Program

5. Fixed Income – Enhanced Yield

6. Fixed Income – Leveraged Loans (Sub-Sector of Enhanced Yield)

7. Fixed Income – TIPS

8. Fixed Income – Convertible Bonds

9. Alternative Investments - Policy Listing and Approved Dates

10. Securities Litigation Protocol

11. Proxy Voting Policies and Procedures

1. U.S. Equities

Definition and Purpose

U.S. Equity is defined as common and preferred stock of U.S. and foreign corporations, denominated in U.S. dollars and traded on a U.S. exchange. With a strategic policy weight of 32.6%, U.S. Equity is the largest asset allocation of the Fund. At the total fund level it is the primary driver of risk and return for the Fund.

Philosophy and Strategy

The U.S. Equity portfolio is structured to capture exposure to the broad U.S. Equity market as represented by the Russell 3000 Index. The U.S. Equity portfolio is diversified across industries, economic sectors and other appropriate investment characteristics.

The Board primarily employs passive management (index funds) in market sectors that it views as efficient, such as large capitalization stocks. Index funds provide broadly diversified market exposure with controlled market risk and minimal cost. To the extent that active management is used in the large cap sector, the Fund primarily uses enhanced index fund Managers.

The Board employs active Managers for a portion of its investments in less efficient sectors of the U.S. Equity Markets when the Board believes that Managers possess skill identifying companies that may be undervalued or have substantial growth potential that will enable them to capture excess returns relative to the sector benchmark, adjusted for risk and fees.

Style Allocation:

The U.S. Equity portfolio, in aggregate, is managed in a style- neutral basis.

Use of External Managers

The U.S. Equity Portfolio is implemented through the use of external Managers. Multiple Managers may be used for similar or identical mandates in order to reduce Manager-specific risk. Managers shall be banks, insurance companies, or investment management companies, or investment advisers as defined by the Registered Investment Advisers Act of 1940. Managers are selected in compliance with a competitive RFP process, or such other appropriate processes, in accordance with public procurement policies of the City of New York, designed to identify Managers with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outlines the Manager's individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. Active Manager performance objectives are expressed as a positive out-performance of their Benchmark. Managers are evaluated through a formal annual account review process conducted by the Bureau of Asset Management staff. Managers exhibiting under-performance, personnel turnover and/or other issues may be monitored more closely through the "Watch List" process.

Proxy Voting

The Board retains Proxy Voting rights, which are exercised by BAM in accordance with the NYCERS Proxy Voting policy.

Asset Class Objectives:

Trustees review Manager and portfolio performance quarterly. The total U.S. Equity portfolio is expected to marginally outperform the Russell 3000 Index Fund over a full market cycle. Individual Manager performance will be evaluated quarterly and annually in the short-term and over a full market cycle (typically 3-5 years).

Market Sector Allocations

The expected active rate of return is a projected return expected over the next 3- 5 years based upon analysis of the NYCERS general investment consultant.

The US Equity sub-allocations are periodically reviewed. The Tables below reflect the Asset Allocation approved in May 2011 and has subsequently been amended at the sub-asset class level, most recently in April 2012.

	Percent of Program (Target)	**Expected Active Return (gross)**
Passive		
Large Cap	46.40%	0 bp
Mid Cap	25.90%	0 bp
Small Cap	5.20%	
Total Passive	**77.50%**	**0 bp**
Fundamental Index		
Large Cap	5.44%	100 bp
Small Cap	3.23%	200 bp
Total Fundamental Index	**8.67%**	137 bp
Active		
Mid Cap	2.91%	100 bp
Small Cap	2.45%	200 bp
Developing Managers	3.13%	100 bp
Emerging Managers	3.50%	100 bp

Environmental	1.84%	200 bp
Total Active	**13.83%**	**131 bp**
Total U.S. Equity	**100.0%**	**30 bp**

Sector Benchmarks

	Benchmark	**Comparison Universe**
Passive		
Russell 3000	Russell 3000 Index	None
S&P 500	S&P 500 Index	None
Fundamental Index		
Large Cap	Russell 1000V index	TUCS Large Cap Managers
Small Cap	Russell 2000V Index	TUCS Small Cap Managers
Active		**Top Half of**
Mid Cap	Russell Mid-Cap Index	TUCS Mid-Cap Managers
Small Cap	Russell 2000 Index	TUCS Small-Cap Managers
Developing Managers	Russell 3000 Index	TBD
Emerging Managers	Russell 3000 Index	TUCS Large-Cap Managers
Environmental	Russell 2000 Index	None
Total Active	Russell 3000 Index	None
Total U.S. Equity	Russell 3000 Index	TUCS US Equity

Liquidity:

Managers are expected to be fully invested. Index funds are managed with cash levels below 1%. Active Managers are limited to a maximum of 5% cash for trading purposes. As necessary, BAM may direct Managers to sell securities to fund benefit payments and other eligible System expenses, or as otherwise appropriate for rebalancing purposes.

Tobacco Restriction:

On June 16, 1998, the Board adopted a tobacco stock investment policy which provides that, for the U.S. Equity portfolio, index fund Managers are permitted to hold tobacco stocks already in their portfolios. There is no requirement that they divest from tobacco stocks. However, they may not purchase additional tobacco stocks. Active Managers and enhanced index fund Managers are permitted to purchase and sell tobacco stocks as their investment strategy dictates. The tobacco restriction only applies to the U.S. Equity portfolio.

2. International Equities – EAFE Markets

Definition and Purpose

EAFE Equity is defined as common and preferred stock of foreign corporations domiciled in developed markets, denominated in foreign currency and traded on foreign exchanges.

Philosophy and Strategy

The EAFE Equity portfolio is structured to capture exposure to the broad non-U.S. Equity market as represented by the MSCI EAFE (Europe, Australasia & Far East) Index. The EAFE Equity portfolio is to be diversified across countries, industries, economic sectors and other appropriate investment characteristics.

Historically, over long periods of time EAFE Equity Managers have outperformed the EAFE index adjusted for risk and fees. Therefore, the Board has allocated a larger proportion of the allocation to active Managers.

In September 2012, the Board added a Small Cap EAFE allocation to its portfolio, to represent 10% of the Non-US Equity allocation.

EAFE Index funds provide broadly diversified market exposure with controlled market risk and minimal cost. The Index fund provides a core EAFE Equity exposure.

Style Allocation:

The EAFE Equity portfolio, in the aggregate, is managed in a style-neutral basis.

Use of External Managers

The EAFE Equity Portfolio is implemented through the use of external Managers. Managers shall be banks, insurance companies, investment management companies, or investment advisers as defined by the Registered Investment Advisers Act of 1940. Managers are selected in compliance with a competitive RFP process designed to identify Managers with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate. The guidelines outline the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. Managers are to be evaluated through a formal annual account review process conducted by the Bureau of Asset Management staff. Managers exhibiting under-performance, personnel turnover and/or other issues may be monitored more closely through the "Watch List" process.

Proxy Voting

Proxies are voted by the Managers.

Asset Class Objectives:

Trustees review portfolio performance quarterly. The total EAFE Equity portfolio is expected to outperform the EAFE index by 160 basis points per year gross of fees over a full market cycle. Individual Manager performance will be evaluated quarterly and annually in the short-term and over a full market cycle (typically 3-5 years).

Market Sector Allocations

The below target active sub-allocations were adopted September 2012. It is recognized that they will not be reached until newly selected EAFE managers are under contract and assets are transitioned to them from current managers.

	Target Sub-Allocations[11]	**Expected Active Return (gross)**
Passive		
EAFE Index	10%	0
Total Passive	**10%**	**0**
Active		
Growth	40%	**200 bp**
Core	0%	**0 bp**
Value	40%	**200 bp**
Small Cap Active	**10%**	**200 bp**
Total Active	**90%**	**200 bp**
Total EAFE Equity	**100%**	**160 bp**

Sector Benchmarks

	Benchmark	**Comparison Universe**
Passive		
EAFE Index Fund	MSCI EAFE Index	None
Total Active	MSCI EAFE Index (Core, Growth and Value, as appropriate)	Top Half of TUCS Non-U.S. Equity Managers

[11] In September 2012, the Board voted to re-structure the Non-US Equity portfolio, including a specific allocation to Small Cap EAFE.

Total EAFE Equity	MSCI EAFE Index	None

Liquidity:

The EAFE Equity portfolio is not a source of liquidity for the Fund, although benefits may be paid out of the portfolio as required. Managers are expected to be fully invested. Index funds are managed with cash levels below 1%. Active Managers are limited to a maximum of 7% cash for trading purposes. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain other eligible system expenses, or as otherwise appropriate for rebalancing purposes.

Currency Hedging:

Managers are permitted to hedge a portion of their currency exposure. Hedging may only be used for defensive purposes and not as a form of leverage.

Emerging Equity Markets:

Managers are permitted limited exposure to emerging equity markets.

3. International Equities - Emerging Markets

A. Emerging Markets - General

Definition and Purpose

Emerging Markets Equity is defined as common and preferred stock of foreign corporations domiciled in countries included in the FTSE or MSCI Emerging Markets Index, denominated in foreign currency and traded on foreign exchanges. It may also include emerging market American Depository Receipts (ADRs) and/or Global Depository Receipts (GDRs) denominated in U.S. dollars.

Philosophy and Strategy

The Emerging Markets Equity portfolio is structured to capture broad exposure to the high growth economies of developing countries. There are higher risk-adjusted expected returns from this investment.

The Board has adopted an Investable Country Policy (IC Policy). The IC Policy is described in Appendix 1, Section 3B, “Emerging Markets Policy Statement.” The IC Policy provides for a screen of the universe of emerging markets in order to select countries with positive investment attributes, and requires Managers to individually justify investments in companies based in countries excluded by the screen.

Historically over long periods of time Emerging Markets Equity Managers have outperformed the MSCI Emerging Equity Market Index adjusted for risk and fees.

Therefore the Board has allocated the majority of the emerging markets portfolio to active Managers.

Style Allocation:

The Emerging Markets Equity portfolio, in the aggregate, is managed in a style-neutral basis.

Use of External Managers

The Emerging Markets Equity Portfolio is implemented through the use of external Managers. Managers shall be banks, insurance companies, investment management companies, or investment advisers as defined by the Registered Investment Advisers Act of 1940. Managers are selected in compliance with a competitive RFP process designed to identify Managers with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outline the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. Managers are to be evaluated through a formal annual account review process conducted by the Bureau of Asset Management staff. Managers exhibiting under-performance, personnel turnover and/or other issues may be monitored more closely through the "Watch List" process.

Proxy Voting

Proxies are voted by the Managers.

Asset Class Objectives:

The Board reviews portfolio performance quarterly. The total Emerging Markets Equity portfolio is expected to outperform an index of countries included in the investable universe under NYCERS' Emerging Market policy index by 150 basis points per year gross of fees over a full market cycle. Individual Manager performance will be evaluated quarterly and annually in the short-term and over a full market cycle (typically 3-5 years).

Market Sector Allocations

	Percent of Program	**Expected Active Return (Gross)**
Active		
Growth	28%	
Core	27%	
Value	45%	

Total Emerging Markets Equity	**100%**	**150 bp**

Sector Benchmarks

	Benchmark	Comparison Universe
Active	NYCERS Custom Emerging Markets Index	None

Liquidity:

The Emerging Markets Equity portfolio is not a source of liquidity for the Fund, although benefits may be paid out of the portfolio as required. Managers are limited to a maximum of 7% cash for trading purposes. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain eligible system expenses, or as otherwise appropriate for rebalancing purposes.

Currency Hedging:

Managers are permitted to hedge a portion of their currency exposure. Hedging may only be used for defensive purposes and not as a form of leverage.

B. Emerging Markets Policy Statement – Adopted June 26, 2001

In May 2001, the New York City Employees Retirement System (NYCERS) allocated a portion of the System's investments to emerging markets. In making this decision, the NYCERS' Board of Trustees was guided by the principle that a well-diversified portfolio will, over time, add value to the portfolio while reducing overall portfolio risk.

Emerging markets currently represent 85% of the world's population and 22% of its GNP. Over the long-term, these markets are expected to generate attractive returns and grow in importance in the world's economy. These returns, however, are expected to continue to be subject to greater volatility than in more mature economies. Emerging markets often lack the political, social and economic structures necessary for a stable investment environment. Many of these structures, such as legal protections, liquidity and transparency in the securities markets, democratic institutions, including an independent judiciary and a free press, as well as labor rights, worker health, safety, and environmental protections, are still being developed in many emerging market countries.

Accordingly, NYCERS' Board of Trustees has developed this Policy Statement to increase the likelihood that the System's emerging markets investments will generate added value while helping to reduce the higher levels of risk associated with this investment class.

Active Management

Emerging market countries often suffer from relatively weak democratic institutions, limits on the free flow of information, and political manipulation of financial markets. In addition, informed investment decisions in emerging markets require a significant level of research and monitoring. Therefore, NYCERS has concluded that it would be more effective and prudent to invest in emerging markets through active management pursuant to this Policy Statement.

Country Screens

NYCERS believes that a number of variables should be considered prior to an emerging market country being considered investable. Taken together, these variables would help to define the emerging market investable universe, and to set the parameters for investment in companies that operate in these countries.

The country variables should include:

- Market liquidity and volatility.
- Transparency.
- Market regulation.
- Investor protections/corporate governance.
- Investment restrictions.
- Political stability/rule of law/independent judiciary.
- Economic stability/wealth-income distribution.
- Settlement proficiency.
- Transaction costs.
- Existence and enforcement of worker health & safety protection, labor and environmental statutes/codes at the country level, including ILO Core Conventions.

The Board utilizes an outside Consultant to develop and implement a screening process to determine the investability of emerging market countries. The list of investable countries will be updated at least annually, and adopted by resolution of the Board. The most recent such resolution is attached to, and forms a part of, this Policy Statement.

Emerging Equity Markets Investment Managers shall only invest in countries determined to be investable pursuant to the rating system, unless the Manager, after due diligence, concludes that substantial, overriding reasons exist for a particular investment. Before making an investment in any emerging market company, a Manager must document that the company being considered for investment implements reasonable health and safety, labor rights, and environmental standards and protections for its workers.

Manager Selection

In selecting Investment Managers for its emerging markets assets, the Board will consider the ability of Managers to comply with this Policy Statement. The Board will also consider the methods the Managers plan to use to verify compliance, including the use of non-governmental organizations (NGOs) and independent observers. The performance of selected Managers will be evaluated, in part, on their compliance with this Policy Statement.

NYCERS may employ an outside Consultant to help evaluate Managers' compliance with this policy statement and the reasonableness of any investments in companies in countries not on the investable list. Managers will be expected to cooperate and consult with any outside Advisors selected by NYCERS. Managers will be monitored by BAM.

Proxy Voting and Shareholder Proposals

NYCERS has long been active as a shareholder pursuing a wide-range of initiatives on corporate governance and corporate responsibility. To the degree necessary and practicable, such activity should be continued and expanded as part of the Board's decision to invest in emerging markets. NYCERS therefore plans to strengthen its shareholder activity concerning U.S. corporations doing business in emerging markets countries. In particular, this shareholder activity should focus on the implementation of workplace health and safety, labor and environmental standards and protections.

4. Fixed Income: NYC Core +5 Program[12]

Definition and Purpose

Fixed income securities are bonds and other debt securities such as mortgage-backed securities, most paying interest on a current basis. The NYCERS Fixed Income allocation consists of the Core + 5 Portfolio, the Enhanced Yield Portfolio – including an allocation to leveraged loans, the Convertibles Portfolio, the Opportunistic Fixed Income Portfolio, the TIPS Portfolio, and the Fixed Income portion of the ETI Program. The Core +5 Program is the dominant NYCERS Fixed Income Program, the second largest investment program after U.S. Equity. It is a driver of return and diversification at the

[12] The Board approved the restructuring of the Core +5 Fixed Income Program in February 2009, reducing the sub-indices from four sectors, among other changes.

total fund level. While the explicit objective is total return, given the fundamental nature of fixed income – relatively predictable income and principal payouts – it also extends the duration of the total fund to better match liabilities, and may be used to provide cash for benefit payments if the portfolio is otherwise within rebalancing ranges.

Most of the securities of the Fixed Income Programs are registered in the U.S. 144A securities, Global bonds, and Eurodollar bonds may be permitted investments.

Philosophy and Strategy

The Core +5 Program is benchmarked to a customized version of the Citigroup U.S. Broad Investment Grade Index (the "BIG Index"), known as the ***NYC Core +5 Index***. The NYC Core +5 Index comprises sub-indices for three sectors: (1) U.S. Treasury and Agency issues excluding one to five-year maturities; (2) mortgage backed securities; and (3) Investment Grade Credit. The total allocation to each sector mirrors that sector's proportion of the custom NYC Core +5 Index, which is revised by Citigroup monthly to reflect market changes.

Concurrent with the implementation of the results of an RFP, the Investment Grade Credit Sector was created by combining the previously existing Corporate and Yankee sectors.

The Core + 5 Program is implemented through a sector specialist program, in which Managers are selected for mandates benchmarked to one of the sub-indices. Managers may employ index-like, enhanced index, or active approaches within their sector. Major characteristics of the three sectors are:

- **U.S. Government**: Consists primarily of U.S. Treasury and Agency debt. Does not include mortgage-backed securities. Managers are permitted to invest in Supranationals to a very small degree. Securities of any maturity may be used, provided that the weighted average duration of the portfolio is within a range of -1.0 and +0.5 year of the Citigroup Core +5 Treasury/Government Sponsored Index, which includes only those securities with a maturity in excess of five years..

- **Mortgage-Backed Securities (MBS)**: Consists primarily of Agency mortgage pass-throughs and Agency and non-agency securities collateralized by mortgage pass-throughs. Managers are permitted to invest in certain non-benchmark sectors and security types. Securities of any maturity may be used, provided that the weighted average duration of the portfolio is within +/-0.75 year of Citigroup's standard Mortgage Index, which includes GNMA, FNMA and FHLMC mortgage pass-throughs.

- **Investment Grade Credit**: U.S.-dollar denominated debt securities of domestic corporations and foreign and Supranational entities rated BBB- or higher. Managers are permitted to invest in certain non-benchmark securities to a limited degree, including 10% in high yield securities. Securities of any maturity may be used, provided that the weighted average duration of the portfolio is within +/- 0.5 years of the customized Citigroup Investment Grade Credit Index (which combines the former Domestic Corporate Index and Yankee Index), and includes industrial, utility, financial, asset-backed and credit-enhanced securities.

The Program is implemented through the use of external Managers. Managers are selected in compliance with a competitive RFP process designed to identify firms with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outlines the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. Subject to constraints contained in guidelines issued by the Comptroller pursuant to Board mandates, value may be added through:

- Duration management, within stated constraints
- Sub-sector weights (within specified ranges of the benchmark weights)
- Security selection, including certain securities/issuers not specifically included in the benchmark

Managers are monitored through the Watch List process.

Asset Class Objectives:

Trustees review Manager and portfolio performance quarterly. The total Core +5 Program is expected to outperform the custom index over a full market cycle, as indicated below. Individual Manager performance expectations vary, as each employs a distinct approach that may be categorized as index-like, enhanced index or active.

Each Manager will be evaluated quarterly, annually and over a full market cycle (typically 3-5 years).

Market Sector Allocations

Core + 5 Program	**Percent of Program (as of 6/30/13)***	**Expected Active Return (gross) over the NYC Core +5 Index**
Government +5	18.63%	
Mortgage-backed	40.04%	
Investment Grade Credit	41.33%	
Total Core +5	**100.00%**	**20 bp**

*Market sector allocations are adjusted monthly by the benchmark provider, Citigroup, to reflect market weight. The Fund policy is to be neutral to the benchmark/market.

Liquidity and Cash Management:

As a fixed income alternative, cash equivalents (or "*short-term fixed income*") are integral to managing risk in fixed income portfolios through portfolio duration. Fixed Income Managers, unlike the Equity Managers, are given wider latitude to use cash equivalents. Government Sector Managers have no explicit limits on cash; however the relatively long duration requirements for this sector indirectly limit the Managers' use of cash equivalents. Corporate and Yankee Sector Managers are allowed to invest up to 10% in cash. MBS Sector Managers are also allowed to invest up to 10% in cash; however, they may hold significantly more cash to back a widely used MBS instrument ("TBA"). These large cash balances, nonetheless, are not considered an immediate source of liquidity. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain other eligible System expenses, or as otherwise appropriate for rebalancing purposes.

5. Fixed Income: Enhanced Yield Program (including Leveraged Loans sub-sector)[13]

Definition and Purpose

Fixed income is defined as bonds and other debt securities, most paying interest on a current basis. While most securities are registered in the U.S., the NYC Fixed Income Programs allow for use of 144 A securities, Global bonds, and Eurodollar bonds. In the Enhanced Yield Program (traditionally referred to as "high yield," or "non-investment grade"), most securities are denominated in $U.S, while a small allocation is permitted for $Canada-denominated issues. Additionally, deferred-interest securities that do not pay interest on a current basis (such as zero-coupon bonds) are permitted. The high yield sector has equity-like features, including convertible securities, preferred stocks, and warrants. Common stock may appear in traditional high yield portfolios as a result of debt restructuring. The characteristics of the high yield sector may be viewed as a cross between traditional bonds and stocks. The objective of the Enhanced Yield Program is total return. It is the second oldest fixed income program, with a current policy weight of 4%.

Within the overall Enhanced Yield program, the Leveraged Loans program (also known as "Bank Loans") has been established as a sub-sector and is designed to invest up to one-third of total Enhanced Yield as described in the Asset Allocation section. As a result of the floating-rate structure of Leveraged Loans, it is expected that the overall Enhanced Yield program will have a higher weight in Loans during a period of rising

[13] In July 2012, the Board voted to adopt a sub-allocation to Leveraged Loans and adopted appropriate IPS language for the new Program.

rates.

Philosophy and Strategy

The Enhanced Yield Program employs a variety of external Managers with active management approaches. The Program benchmark and the benchmark for most of NYCERS' Managers is the Citigroup (formerly Salomon Smith Barney) BB & B Index. It is a subset of the widely-used Citigroup High Yield Index and excludes securities with ratings of only CCC or lower. The index includes only securities of U.S. and Canadian corporations. As appropriate, an individual Manager's benchmark may be different from the Program benchmark, depending on the Manager's investment approach.

Managers are selected in compliance with a competitive RFP process designed to identify firms with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outlines the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives.

Subject to guideline limitations (which may vary modestly by Manager due to stylistic differences), value may be added through:

- Industry / sector allocation
- Quality sector allocation
- Security selection, including certain securities/issuers not specifically included in the benchmark, such as convertibles and investment-grade
- However; direct purchase of defaulted securities and securities of bankrupt companies is explicitly prohibited.
- Cash equivalents may be used on a limited basis
- Duration decisions are not expected to be a notable contributor to performance

Managers are monitored through the Watch List process.

Asset Class Objectives:

Trustees review portfolio performance quarterly. The total Program is expected to outperform the Citigroup BB& B Index over a full market cycle by a minimum 125 basis points (gross). Individual Manager performance expectations vary, as each employs a distinct approach. Each Manager will be evaluated quarterly, annually and over a full market cycle (typically 3-5 years).

Liquidity and Cash Management:

The Enhanced Yield Program is not a source of liquidity for the Fund, although, benefits may be paid out of the portfolio as required. Typically, cash equivalents are integral to managing the interest rate risk in fixed income portfolios. However, for high yield, interest rate risk is less of a consideration than for investment-grade bond portfolios like those in NYCERS' main Core + 5 Program. Nevertheless, as the high yield asset class is heavily dependent on new security issuance and may be characterized by extended periods of relative illiquidity (as compared to the U.S. equity market), the Enhanced Yield Managers have been given more latitude to hold cash – the maximum is generally 8%. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain other eligible System expenses, or as otherwise appropriate for rebalancing purposes.

6. Fixed Income: Leveraged Loans[14]

Definition and Purpose

Fixed income is defined as bonds and other debt securities, most paying interest on a current basis. While most securities are registered in the U.S., the NYC Fixed Income Programs allow for use of 144 A securities, Global bonds, Eurodollar bonds and Leveraged Loans. In the Leveraged Loans Program (also referred to as "Bank Loans"), most securities are denominated in $US. Common stock may appear in traditional Leveraged Loans portfolios as a result of debt restructuring. The characteristics of the Leveraged Loans sector may be viewed as a cross between Core +5 and High Yield and securities are typically non-investment grade and senior debt obligations in an entity's capital structure. Typically, Leveraged Loans are floating rate debt loans to corporations, generally with ratings below BBB- and are senior debt obligations in an entity's capital structure.

Leveraged Loans are expected to help further diversify the below-investment grade investments of the Fund. While Leveraged Loans have a lower expected return than High Yield bonds, they also have lower expected volatility. Also, as High Yield and Leveraged Loans are partial 'parking places' for Opportunistic Fixed Income, as that program is funded, it is expected that the Leveraged Loan program will decrease in size. As Leveraged Loans are a part of the Opportunistic Fixed Income landscape, exposure to Leveraged Loans will likely remain. The objective of the Leveraged Loans Program is total return.

Philosophy and Strategy

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[14] In July 2012, the Board voted to adopt a sub-allocation to Leveraged Loans and adopted appropriate IPS language for the new Program.

The Leveraged Loans Program employs a variety of external Managers with active management approaches. The Program benchmark is the Credit Suisse Leveraged Loans Index, which includes mostly BB, B, CCC and non-rated securities. The index includes only securities denominated in US dollars. As appropriate, an individual Manager's benchmark may be different from the Program benchmark, depending on the Manager's investment approach which could include securities denominated in currencies other than the US dollar.

Managers are selected in compliance with a competitive RFP or search process designed to identify firms with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outlines the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives.

Subject to guideline limitations (which may vary modestly by Manager due to stylistic differences), value may be added through:

- Industry / sector allocation
- Quality sector allocation
- Security selection, including certain securities/issuers not specifically included in the benchmark
- Direct purchase of defaulted securities and securities of bankrupt companies is generally prohibited
- Cash equivalents may be used
- Duration decisions are not expected to be a notable contributor to performance

Managers are monitored through the Watch List process.

Asset Class Objectives

At a minimum, Trustees review portfolio performance quarterly. The total Program is expected to outperform the Credit Suisse Leveraged Loan Index over a full market cycle by a minimum 100 basis points (gross). Individual Manager performance expectations vary, as each employs a distinct approach. Each Manager will be evaluated quarterly, annually and over a full market cycle (typically 3-5 years).

Liquidity and Cash Management

The Leveraged Loans Program is generally not a source of liquidity for the Fund, although, benefits may be paid out of the portfolio as required. Typically, cash equivalents are integral to managing the interest rate risk in fixed income portfolios. However, for Leveraged Loans, interest rate risk is less of a consideration than for investment-grade bond portfolios like those in NYCRS' main Core + 5 Program due to the floating rate nature of most of the securities. Nevertheless, as the Leveraged Loans asset class is heavily dependent on new security issuance and may be characterized by extended periods of relative illiquidity (as compared to the U.S. equity market), the Leveraged Loans Managers have been given more latitude to hold cash. As necessary, BAM may direct Managers to sell securities to fund benefit payments and certain other eligible System expenses, or as otherwise appropriate for rebalancing purposes.

7. Fixed Income: U.S. TIPS Program

Definition and Purpose

Fixed income investments consist of bonds and other debt securities, most paying interest on a current basis. In the U.S. TIPS Program, U.S. Treasury Inflation-Protected Securities will be the predominant holding, and most other securities will also be denominated in $U.S. Limited use of inflation linked bonds (ILBs) of foreign developed-market sovereigns will be permitted. The U.S. TIPS Program's primary purpose is to hedge inflation (as measured by the CPI - U) and, secondarily, to provide diversification.

Philosophy and Strategy

The U.S. TIPS Program will be managed using a combination of index and active management approaches. The policy mix is 25% passive/75% active. The Program and individual Managers' benchmark is the Barclays Capital[15] U.S. Inflation-Linked Index, which is comprised of all outstanding TIPS of the U.S. Treasury.

The Program will be implemented through the use of external Managers. Managers are selected in compliance with a competitive RFP process designed to identify firms with demonstrated ability to implement defined mandates. Managers operate subject to a set of detailed investment guidelines developed by the Comptroller's Bureau of Asset Management pursuant to the Board's mandate that outlines the Managers' individual investment philosophies and approaches, representative portfolio characteristics, permissible and restricted securities, benchmarks and performance objectives. The portfolio of the passive (or index) Manager will mirror the benchmark index with minimal tracking error; value may be added through trading strategies. Subject to constraints contained in guidelines issued by the Comptroller, which may change over time, the active Managers may add value through:

- Duration and yield curve management
- Individual U.S. TIPS weightings that vary from the benchmark
- Use of nominal U.S. Treasury and inflation-indexed U.S. Agency securities

[15] Barclays Capital has taken over the Lehman Indices, after Lehman Brothers went out of business.

- Use of inflation linked bonds (ILBs) of foreign developed-market sovereigns, however the position must be hedged back to $U.S. Foreign inflation linked corporate and agency bonds are not permitted.

- Cash equivalents may be used on a limited basis

Managers will be monitored through the Watch List process.

Asset Class Objectives

Trustees review portfolio performance quarterly. The total U.S. TIPS Program is expected to exceed the inflation rate and to outperform the Barclays Capital U.S. Inflation-Linked Index over a full market cycle, as indicated below. Individual Manager performance expectations vary, as each employs a distinct approach that may be categorized as index or active. Each Manager will be evaluated quarterly, annually and over a full market cycle (typically 3-5 years).

Market Sector Policy Allocations

U.S. TIPS Program	**Percent of Program**	**Expected Active Return (gross) over the Lehman U.S. TIPS Index**
Active Managers	75%	
Passive (Indexed) Managers	25%	
Total U.S. TIPS Program	**100%**	**55 bp**

Liquidity and Cash Management:

The U.S. TIPS Program is not a source of liquidity for the Fund, although benefits may be paid out of the portfolio as required. As a fixed income alternative, cash equivalents are integral to managing risk in fixed income portfolios through portfolio duration. Active Fixed Income Managers, unlike Equity Managers, are given wider latitude to use cash equivalents. The U.S. TIPS Passive (Indexed) Manager will be permitted to hold up to 2% cash and the Active Managers, up to 20%.

8. Fixed Income: Convertible Bonds[16]

Definition and Purpose

A convertible bond has the characteristics of two types of securities: a bond and an

[16] The Board adopted a 1% allocation to Convertible Bonds in February 2008.

equity option. Convertible bonds are issued by publicly held companies and come in a variety of forms. At the simplest level, they combine a corporate bond paying a fixed interest rate with an equity warrant (a long term equity call option) on the issuer's common stock. The bonds are senior to equity in a company's capital structure. The allocation of the Fund to this sub-asset class is 1% of the value of the total Fund.

Convertible bonds have higher expected returns and higher risk than conventional corporate bonds. The link to equity volatility through the equity option adds an extra return driver that is not available from a portfolio of stocks and bonds alone. The convertible bond market can be relatively inefficient and therefore provides opportunities for total return oriented investors such as the Fund. The primary purpose of the program is to provide a higher total return than the corporate bond market with less volatility than the equity market, in addition to providing diversification.

Philosophy and Strategy

The Convertible Bond Program employs a variety of external Managers with active management approaches. The Program benchmark is the Bank of America Merrill Lynch All U.S. Convertibles ex-Mandatory Index. As appropriate, an individual Manager's benchmark may be different from the Program benchmark, depending on the Manager's investment approach.

Subject to guideline limitations (which may vary modestly by Manager due to stylistic differences), value may be added through:

- Industry / sector allocation
- Quality sector allocation
- Security selection, including certain securities/issuers not specifically included in the benchmark

Cash equivalents may be used on a limited basis. Duration decisions are not expected to be a notable contributor to performance.

Asset Class Objectives:

Trustees review portfolio performance at least quarterly. The total Program is expected to outperform the Bank of America Merrill Lynch All U.S. Convertibles ex-Mandatory Index over a full market cycle. Individual Manager performance expectations vary, as each employs a distinct approach. Each Manager will be evaluated quarterly, annually and over a full Manager Market Cycle.

Liquidity and Cash Management:

The Convertible Bond Program is not typically a source of liquidity for the Fund, although, benefits may be paid out of the portfolio as required. Typically, cash equivalents are integral to managing the interest rate risk in fixed income portfolios. However, for convertibles, interest rate risk is less of a consideration than for investment-grade bond portfolios like those in the Fund's main Core + 5 Program. Nevertheless, as the asset class is heavily dependent on new security issuance and may be characterized by extended periods of relative illiquidity (as compared to the U.S. equity market), the Convertible Bond Managers have been given more latitude to hold cash – the maximum is generally 5%.

9. Alternative Investments Policies - Policy Listing and Approved Dates

PRIVATE EQUITY INVESTMENTS POLICY; ADOPTED NOVEMBER 20, 2012. SEE APPENDIX #3 FOR THE POLICY

REAL ASSETS EQUITY INVESTMENTS POLICY; ADOPTED DECEMBER 18, 2012. SEE APPENDIX #4 FOR THE POLICY

ECONOMICALLY TARGETED INVESTMENTS POLICY; ADOPTED NOVEMBER 25, 2008. SEE APPENDIX #5 FOR THE POLICY

OPPORTUNISTIC FIXED INCOME INVESTMENTS POLICY; ADOPTED JUNE 21, 2011. SEE APPENDIX #6 FOR THE POLICY

HEDGE FUND INVESTMENTS POLICY; ADOPTED MARCH 22, 2011. SEE APPENDIX #7 FOR THE POLICY

10. Securities Litigation Protocol – Amended April 2013

I. Overview

The recent revelations of corporate fraud and other misdeeds that have resulted in significant losses to shareholders, and the ensuing litigation, have underscored the need for an internal set of policies and procedures to guide the New York City Employees' Retirement System ("NYCERS") in identifying, evaluating and ultimately managing securities litigation. NYCERS Board of Trustees is increasingly being presented with potential cases by the class action bar and a set of established procedures will help facilitate NYCERS' Board of Trustees decision-making process and ensure that NYCERS Board of Trustees is pursuing active involvement in cases when it is in its best interests to do so. Across the country, pension funds have started clearly identifying their objectives in pursuing actions and are becoming more proactive in identifying these claims themselves and reducing their reliance on the class action bar. They are also looking at other ways to participate actively in securities class actions. In addition, many pension funds are employing a two-tiered approach to their use of counsel; i.e., they are expanding their counsel pool and are engaging counsel to help in the evaluation of claims. Thereafter, they engage separate counsel to represent them in the litigation, if they decide to proceed. This process provides additional resources and expertise in the evaluation process while ensuring the resulting recommendations are as unbiased as possible.

II. Objectives

NYCERS' Board of Trustees objectives in choosing an active role in securities litigation include the following:

a. Preservation of plan assets and collection of all amounts due to NYCERS;

b. Maximizing the net recovery to NYCERS in individual actions and class actions; and

c. Effecting corporate governance reforms, when appropriate.

Out of the enormous volume of securities cases being filed, NYCERS Board of Trustees will consider those where the amount of loss sustained by NYCERS and attributable to some type of wrongdoing is of a magnitude to justify the time, expense and effort involved in being lead plaintiff in a class action or in filing an independent action either in state or federal court, or in pursuing some other litigation alternative. The Law Department as NYCERS' legal representative and the Comptroller's Office as its investment advisor will work together in the best interests of NYCERS to recommend those cases best suited for NYCERS' active participation.

III. Retention of Counsel

On an as needed basis, Requests for Proposals ("RFPs") shall be issued by the Law Department, as counsel to NYCERS, to retain a pool of law firms who will be available to act as evaluation or litigation counsel. Retention of a pool of law firms will permit two or more pool members to serve as an evaluation team on a rotating basis ('Evaluation Team') while allowing for an expanded number of firms to be available to act as litigation counsel. Each firm selected must have a recognized expertise in the area of securities litigation. Special attention will be paid to experience in class actions, especially under the Private Securities Litigation Reform Act ("PSLRA"), experience as counsel to other institutional investors (preferably other public pension funds), a demonstrated understanding of the special responsibilities of a public fund trustee and how public employees' retirement systems function, as well as experience with corporate governance reforms.

The Evaluation Panel, which will be established for each RFP and identified to the Trustees, shall evaluate each firm that responds to the RFP based on criteria set forth in the RFP. Following an evaluation of the content of the proposals by the RFP Evaluation Panel, the Law Department will provide the Trustees with a report which sets forth: 1) the evaluation criteria and weighting as established in the RFP, 2) the names of the firms that respond to the RFP, 3) the pre-interview ratings of all responding firms, and 4) the names of all firms determined to be eligible for consideration and invited to interview. Trustees will be afforded the opportunity to review and comment on the report prior to the interview process. The Law Department will advise the Trustees of the date, time and place each firm will be interviewed and will make such interviews open to any Trustee to attend. Subsequent to the interviews, the Law Department will issue a memorandum with the Evaluation Panel's recommendations for which law firms should be retained for the pool. The Trustees will be afforded an opportunity to comment on the recommended pool.

IV. Identification of Potential Cases

The first step in this process is to identify those cases or claims ("potential cases") that would warrant NYCERS' active involvement in securities litigation. Early identification of potential cases will allow the Law Department and the Comptroller's Office more time to analyze each case and recommend strategies, and allows NYCERS Board of Trustees more time to respond to any such joint recommendations. To meet this goal, NYCERS Board of Trustees, along with the other New York City and Related Pension Funds ("the Funds") have engaged an outside data consultant ("Consultant"). The Consultant can better monitor new case filings, and follow the financial news as well as the activities of government agencies such as the SEC. The Consultant will use the data from the custodial bank, current and past, for the five Funds in order to compute loss estimates. The Consultant should be able to provide the Law Department and the Comptroller's Office with loss estimates for each Fund within days of a federal securities class action being filed, early enough in the 60-day statutory time period for filing a lead plaintiff motion to allow for careful analysis of potential cases by the Law Department and the Comptroller's Office and a thoughtful consideration by NYCERS Board of Trustees of any recommendations from the Law Department and the Comptroller's Office.

V. Review and Analysis of Potential Cases

A two-tiered approach, involving Evaluation Counsel and Litigation Counsel, will be used to expedite the review and analysis of potential cases. After a reasonable time period, this approach will be evaluated and, if necessary, modified.

A. Evaluation Team

Evaluation Team members are not precluded from serving as Litigation Counsel on any matter they have evaluated. [17]

The Law Department will utilize a data consultant's services, as described in Section IV of this Protocol and any other sources available, to preliminarily identify potential cases worth further investigation on behalf of NYCERS. The Evaluation Team, in conjunction with the Law Department and the Comptroller's Office, will review cases given to them by the Law Department to evaluate potential securities litigation claims, and make recommendations to the Law Department and to the Comptroller's Office on ways to best protect the interests of NYCERS. The Evaluation Team will also perform additional due diligence on claims (i.e., contact counsel for both sides; review

[17] In April 2013, the Board adopted a resolution to omit the requirement that evaluation counsel is not eligible to serve as litigation counsel in the same matter.

complaints, SEC filings and company disclosures; examine contents of relevant internal files; interview investment staff, and contact other investors as appropriate).

Each Evaluation Team for a particular case will provide the Law Department with a written evaluation of that case including an opinion as to what, if any, action would be in the best interests of NYCERS and why. The memorandum will evaluate options available to protect NYCERS' interests. Options may include doing nothing, filing for lead plaintiff status or actively participating in ways other than becoming lead plaintiff.

These other types of active participation may include: attempting to get a claimant with larger losses to become lead plaintiff; monitoring the case from the sidelines; writing a letter to the court and/or lead counsel to bring up issues being ignored; filing a motion to support or oppose a particular lead plaintiff or lead counsel candidate; filing a notice of appearance and more actively monitoring the case; attempting to negotiate an agreement with prospective lead counsel that will require them to keep NYCERS Board of Trustees informed of case developments; provide NYCERS Board of Trustees with access to discovery upon request and allow NYCERS Board of Trustees to participate in settlement negotiations or be consulted on a settlement; waiting until settlement and reviewing the settlement carefully with the option to object to a poor settlement or excessive fees; opting out of the class to file a separate action; or bringing a derivative action. The memorandum should also discuss the most advantageous means of bringing a suit; i.e., individual federal action or federal class action, state law individual action or derivative action.

B. Joint Recommendation to NYCERS Board of Trustees from the Law Department and the Comptroller's Office

The Law Department will consult with each Evaluation Team member and will fully analyze all relevant legal issues. The Law Department, in conjunction with the Comptroller's Office, might consider, among other things, the following in issuing a recommendation to the Trustees:

a. What was the alleged wrongdoing? What are the legal claims?

b. What is the degree to which NYCERS Board of Trustees is offended by the wrongdoing?

c. What is the amount of NYCERS' loss and the Funds' losses collectively?

d. What are the defenses? What are the merits of the case? Is NYCERS likely to prevail?

e. Are the losses collectible? What is the defendant's financial condition? Are insurance carriers involved? How many defendants will there be?

f. Will there be other consequences if NYCERS wins or loses? For instance, will success bankrupt the company or adversely affect other investments that NYCERS has in the same company?

g. Are there others who are more appropriate to serve as lead plaintiff? (In which case, NYCERS may defer to them or seek to join them as co-lead plaintiff.)

h. What economic and administrative costs will be involved? (Typically, all out-of-pocket costs should be advanced by Litigation Counsel who accepts the case on a contingency basis.)

i. Does NYCERS have a separate claim which is not covered by the class complaint or are there unusual facts that suggest a benefit to independent non-class litigation?

j. Would failure in the litigation adversely affect NYCERS? For example, might the litigation result in the disclosure, subject to a protective order, of material non-public information about the company that could interfere with NYCERS' future anticipated trading strategy? Are there other possible adverse consequences?

k. Does NYCERS have time to interact with legal counsel and make decisions as required?

l. Should NYCERS Board of Trustees and the other Funds consider seeking to serve as co-lead plaintiff with other parties?

m. Is the suit a nuisance suit? Should NYCERS Board of Trustees consider supporting the company in a motion to dismiss?

n. Are there any potential conflicts with other members of the class?

o. Is there a need for corporate governance changes? Are there individual actors that need to be pursued to deter future wrongdoing?

The Law Department, in conjunction with the Comptroller, will then make a written recommendation to NYCERS Board of Trustees whether or not to pursue a particular case. If time permits, such a recommendation would be presented in person by representatives of both the Law Department and the Comptroller's Office who would be available to answer questions the Trustees may have. Should the Law Department and the Comptrollers' Office disagree as to the recommendation, a memorandum shall be submitted by each to explain its position. The Law Department shall be responsible for soliciting and obtaining the Comptroller's Office's memorandum to present to the Trustees, along with the Law Department's recommendation. The NYCERS Board of Trustees will make the final determination on how to proceed.

C. Litigation Counsel

Litigation Counsel will be selected after NYCERS Board of Trustees has made a decision to pursue an active role in litigation. Litigation Counsel will be selected by the Law Department based on, among other things, suitability for a particular matter (including, for example, their expertise in the jurisdiction in which a case is being brought and expertise in the particular type of suit). For each case approved by NYCERS, the Law Department will invite pool members, including[18] those who served as members of the Evaluation Team for that case, to submit written proposals for handling the litigation. The proposal will focus on the litigation factors discussed in Section V.B of this Protocol and propose the most appropriate strategy for conducting the litigation. The proposal will also include a fee schedule. Selection of counsel for any given case will be based on an evaluation of the litigation strategy proposed, the suggested fee and the expertise and resources of the firm. Thus, increasing the size of the pool will also increase competition regarding the fee to be charged against any recovery by the Class.

Should NYCERS Board of Trustees decide to participate in an appropriate case being litigated by a firm outside the pool, NYCERS Board of Trustees shall not be precluded from entering the case and utilizing that firm.

VI. Interaction with NYCERS

The Law Department will issue a report by the 15th of each month to NYCERS Board of Trustees, which will include significant potential cases being evaluated as well as the status of pending securities litigation. NYCERS Board of Trustees will make the final determination on how to proceed with a particular securities law case. In the event that there is disagreement amongst the Funds with regard to a particular course of action, NYCERS Board of Trustees may wish to consider acting independently.

The Comptroller's Office shall submit to the Trustees and to the Law Department, on at least a quarterly basis, a report on the status of proofs of claim in securities litigation matters. This report shall include for each claim the class period or other claim filing period, and, if applicable, the date that the Custodian filed such proof of claim on behalf of the Fund and the date the payment was received.

The Law Department shall designate a contact attorney for Trustees to contact for information regarding securities litigation.

NYCERS' Counsel shall serve as liaison between the Trustees and the Law Department in order to keep the Trustees advised on securities litigation issues, provide written opinions to the Trustees and convene voice votes and/or special

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[18] In April 2013, the Board adopted a resolution to omit the requirement that evaluation counsel is not eligible to serve as litigation counsel in the same matter.

meetings in accordance with the Rules and Regulations of the Fund. NYCERS' Counsel shall be included in meetings with and on the distribution list for the Evaluation and Litigation Counsel and shall review any joint recommendations from the Law Department and the Comptroller's Office after such recommendation is made to the Trustees whether or not to pursue a particular case as described in Section V.B of this protocol. NYCERS' Counsel shall also review the Law Department's monthly litigation report to the Trustees once it is issued. The Consultant will use the data from the custodial bank, current and past, for the five Funds in order to compute loss estimates. The Consultant should be able to provide the Law Department and the Comptroller's Office with loss estimates for each Fund within days of a federal securities class action being filed, early enough in the 60-day statutory time period for filing a lead plaintiff motion to allow for careful analysis of potential cases by the Law Department and the Comptroller's Office and a thoughtful consideration by NYCERS Board of Trustees of any recommendations from the Law Department and the Comptroller's Office.

11. Proxy Voting Policies and Procedures[19]

In fulfilling the Proxy Voting Policy of the Board, the following procedures shall be used.

Each year, the Proxy Committee, on behalf of the Board, reviews the Comptroller's recommendations for shareholder proposals and target companies, and decides which proposals and companies will comprise NYCERS' annual shareholder proposal program. The committee considers the Comptroller's recommendations for voting proxy issues that are not covered by NYCERS' proxy voting policies and procedures and, on behalf of the Board, promulgates voting policies and procedures on such issues.

The Chair, or the Office of the Comptroller with notification of the Chair, shall call all committee meetings. If time does not allow a meeting to be called, the Chair or the Office of the Comptroller shall set up a conference call among the committee members and the Comptroller's staff. If a conference call is not feasible, the Chair or the Comptroller's Office shall conduct a telephone or an e-mail poll of committee members. If a Trustee is not available his/her vote shall be recorded as an abstention.

In voting proxies, the Comptroller shall follow the following guidelines:

Vote Action – For Proposal

> The Comptroller shall vote FOR a proposal if such proposal is consistent fully with the provision(s) stipulated in the resolutions/policies promulgated by the NYCERS Proxy Committee.

Vote Action – Against Proposal

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[19] New Proxy Voting Guidelines and additional methods for communicating with the Committee were adopted in April 2012.

The Comptroller shall vote AGAINST a proposal if such proposal is inconsistent with, or contrary to, the philosophy, intent and spirit of resolutions/policies promulgated by the NYCERS Proxy Committee.

Vote Action - Abstain

Absent enabling NYCERS resolutions/policies and past history, or the availability of adequate information, the Comptroller shall ABSTAIN. If time does not permit the Comptroller's Office to present to the Proxy Committee, for its review and voting decision, a proposal with voting-policy recommendation and adequate background information, the Comptroller shall ABSTAIN.

Review of New Issues

Each spring, the Comptroller's Office and the Proxy Committee shall meet to review new proxy issues. The Proxy Committee may review and revise existing policies and procedures.

Proposal not Covered by Existing Board Resolution – Time Permitting

If time permits, the Comptroller shall present to the Proxy Committee, for review, deliberation and vote decision, proposals pertaining to issues which are not covered by past practice or existing policies. To facilitate this process, the Comptroller's Office shall provide the Board the full text of such proposals, supporting and opposing statements, and other available background information that would represent fairly the views of proponents and opponents of issues.

Proposal not Covered by Existing Board Resolution – Time Limited

In the event that the distribution of proxy statements is delayed through corporate, postal, or other setback, particularly as it relates to issues not covered by past practice or existing policy, the Comptroller's Office or the Chair shall conduct a telephone conference call of the members of the Proxy Committee and the Comptroller's Staff and obtain the votes of the members on the proposal). If a conference call is not feasible, the Chair or the Comptroller's Office shall conduct a telephone poll of or an e-mail poll of committee members. The Comptroller's Office shall be guided by the consent of a simple majority. In the event of a deadlock, the Comptroller's Office shall abstain.

Mergers and Acquisitions[20]

The Comptroller's Office casts votes on mergers and acquisitions consistent with

[20] New Proxy Voting Guidelines governing votes on mergers and acquisitions were adopted in April 2012.

the Proxy Voting Guidelines adopted by the Trustees.

Reports to the Trustees

The Comptroller's Office shall submit annual summary[21] reports to the Proxy Committee on the results of the NYCERS shareholder proposal programs, and on votes cast by the Comptroller's Office against management director nominees.

[21] Summary reports were accepted by the Committee since the Fall 2011 reporting.