

City of New York Deferred Compensation Plan

S&P 500® Index Fund Management

COMMENTARY

The S&P 500 gained 11.80% in the fourth quarter of 2011. In the S&P 500, all ten sectors posted positive returns. Energy was the best performing sector in the quarter, up 18.03% and the worst was Telecommunication Services, which returned 7.13%. In October, the S&P 500 reversed its recent downward trend with a strong positive performance. Economic data was more positive as the US economy grew more than expected, payrolls and consumer confidence increased more than expected and retail sales also rose more than expectations. Housing starts and new home sales were higher than expected while pending home sales decreased more than expectations. EU leaders reached an agreement to recapitalize banks and in addition agreed with private banks on a voluntary 50% Greek debt haircut as well as to expanded power for the European Financial Stability Facility. MF Holdings filed for bankruptcy after making bad bets on European sovereign debt. Fed Chairman Bernanke said that the Fed is prepared to take further action as appropriate. The Japanese Government intervened to weaken the yen. G-20 finance ministers backed the European plan outline to deal with the debt crisis. The ECB's Trichet said that the situation in Europe has reached a systemic dimension.

In November, US Economic data was still mainly positive as the unemployment rate fell a bit, but fewer jobs were added than forecast. Jobless claims were better than expected, consumer confidence increased more than expected and retail sales also rose more than expectations. Housing starts, pending home sales and building permits were higher than expected while new home sales decreased more than expectations. The US congressional budget super committee stalled on tax cuts. Black Friday sales increased to a new record dollar amount. The Fed will conduct a stress test including a hypothetical global shock on the six largest banks. China cut its reserve requirement ratio for the first time in three years. The ECB unexpectedly cut interest rates. The ECB's Draghi said that Europe was headed towards a mild recession and urged the EU leaders to act. Six central banks led by the Fed lowered swap rates by 0.5% in a coordinated global move to make it cheaper for banks to borrow dollars in emergencies in an effort to ease Europe's sovereign-debt crisis.

In December, US Economic data was predominantly positive as the unemployment rate fell slightly and more jobs were added than forecast. Jobless claims were better than expected and consumer confidence also exceeded expectations. Housing starts and existing home sales were both higher than expectations. The US Congress approved payroll tax cut and unemployment benefit extensions after many delays. The FOMC kept rates unchanged and said that the economy was expanding moderately despite slowing global growth. North Korean leader Kim Jong II died. OPEC agreed to raise its production ceiling. Germany and France reached a comprehensive agreement on a plan to resolve the Euro debt crisis. The ECB cut interest rates and expanded emergency liquidity measures. Italy and Greece both approved austerity budgets. Euro-zone finance ministers agreed to contribute €150 billion in additional loans to the IMF which fell short of the €200 billion target.

LARGEST TEN HOLDINGS

% of Portfolio

Exxon Mobil Corp.	3.57
Apple Inc.	3.30
IBM	1.90
Chevron Corp.	1.86
Microsoft Corp.	1.71
General Electric Co	1.66
The Procter & Gamble Co	1.61
AT&T Inc	1.57
Johnson & Johnson	1.57
Pfizer Inc	1.46

ECONOMIC SECTOR BREAKDOWN

% of Portfolio

Energy	12.25
Materials	3.49
Industrials	10.70
Consumer Discretionary	10.71
Consumer Staples	11.54
Health Care	11.86
Financials	13.62
Information Technology	19.01
Telecommunication Services	2.96
Utilities	3.85

CHARACTERISTICS

Capitalization (\$ Billion)*

Average Market Cap	22.77
Median Market Cap	10.75
Largest Market Cap	406.27

*Source: Standard and Poor's for Index Data.

Portfolio Data

Yield	2.19%
P/E Ratio	17.28
P/B Ratio	1.83
ROE	24.53

PERFORMANCE HISTORY (NET OF FEES)

	<u>4Q11</u>	<u>1 Year</u>	<u>3 Years</u>	<u>Since Incpt*</u>
NYCDC	11.81%	2.06%	14.06%	3.59%
S&P 500	11.82%	2.11%	14.11%	3.64%

*NYC Deferred Compensation S&P 500 Fund Inception date of May 31, 2004.

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IMPORTANT NOTE

Material in this publication is for illustrative purposes only and is not intended to provide specific investment advice or recommendations for any purchase or sale of any specific security or commodity, nor is anything herein intended to substitute for legal, tax or financial advice. Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed.

The strategies discussed herein may not be appropriate for every investor and should be used only after consultation with legal and other professionals who are competent in this area of law and finance and who have reviewed our specific situation in all its aspects.

Past performance does not guarantee future results.

Performance returns and composite information shown are as of 12/31/2011. Performance is calculated using a time-weighted rate of return calculation and assume the reinvestment of dividends, capital gains and any income.

Gross performance results are net of commissions and other direct expenses, but before advisory fees, withholding taxes, and other indirect expense. Net performance results include the deduction of the maximum advisory fee. Actual fees may be lower based on account size.

The performance shown is compared to the S&P 500® Index. The S&P 500® Index is an equity market index comprised of large-cap companies in the U.S. Investors cannot invest directly in any index. These are broad-based securities market indices, are unmanaged, and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investors cannot invest directly into an index.

Portfolios are subject to investment risk, including possible loss of principal amount invested. Portfolios will not hold investments that are obligations of, or guaranteed, by The Bank of New York Mellon Corporation or any of its affiliates. A complete list of the Strategy's holdings is available upon request.

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