



New York City Comptroller
John C. Liu

STATEMENT

PR11-10-078
Contact: Mike Loughran, (212) 669-3747

October 12, 2011
Page(s): 6

**COMPTROLLER LIU ANNOUNCES PENSION FUNDS
INCREASE MINORITY BROKER POOL BY 50 PERCENT**

*Updates Investment Strategy and New MWBE Initiatives
for Pension Funds and NYC Bonds*

NEW YORK, NY – Washington, D.C – New York City Comptroller John C. Liu today announced that the New York City Pension Funds will be adding 13 new firms to the existing Minority Broker Pool, an increase of more than 50 percent over the current number of firms currently in the program.

The announcement was one of a number of updates Comptroller Liu announced at the “Shared Prosperity Conference,” hosted by the Association of Asian American Investment Managers (AAAIM) in Washington D.C.

The Minority Broker Pool is a program that enhances the use of minority and women owned brokerage firms by investment advisors under contract with the pension funds. Through the initiative, a pool of minority and women owned brokerage firms is established to execute trades on behalf of the funds’ investment managers. The addition of these 13 firms brings the total number in the pool to 38.

Below is the full text of the Comptroller’s remarks as prepared for delivery:

Thank you Diana for your kind introduction. Thank you and good afternoon.

It is a pleasure to be here with you today at this Association of Asian American Investment Managers 2011 Annual Conference.

I want to thank your President — Brenda Chia — for her leadership ... and for inviting me to participate again at this year’s event.

I also want to congratulate the Honorable Norman Mineta who will be honored later with the Lifetime Achievement Award. Secretary Mineta has been a trailblazer in public service with a long record of integrity and achievement.

In the aftermath of Sept 11th, as Transportation Secretary, he was charged with the safety of all trucks, buses, trains and planes — and deserves our gratitude for helping to protect us. I would like to thank him for his service to our nation and for his commitment to the Asian American community.

I am honored to speak before you because organizations like this one are vitally important to expanding economic opportunity in America. By bringing us all together today, AAAIM is working to build a strong foundation of opportunity and innovation -- so we can build an economy that works for all Americans.

My job as Comptroller is to ensure the financial health of New York City. I think that the best way to do that is to expand opportunity, increase transparency and ensure that our assets and resources are invested in building a brighter future.

I believe we have a responsibility to make sure that all Americans benefit from a growing economy. Today, I'd like to talk about how we can build a shared prosperity.

I believe that we face two major economic challenges. One, we need to grow the economy to create good jobs, generate wealth and raise incomes -- and two, we need to make sure the economic recovery is broad-based and reaches all communities.

To face both these challenges, an effective and efficient government is essential. As many of you know, I serve — in essence — as New York City's Chief Financial Officer and am responsible for auditing City agencies ... registering contracts for City services ... issuing municipal bonds to build and maintain critical infrastructure ... and providing objective analysis on the City budget.

I also serve as the chief investment advisor, custodian and a trustee to the New York City Pension Funds. We oversee a combined \$110 billion dollars in assets making us one of the largest institutional investors in the nation.

As we manage the pension funds in this uncertain environment, I am always mindful that these assets represent more than just numbers ... they represent the lives and futures of roughly 700,000 retirees ... beneficiaries ... and active City employees. I have an obligation to protect their retirement security.

In the near-term, the sluggish economic recovery presents challenges for public pension funds— because under-funded pension liabilities cost taxpayers and threaten budgets.

That is why I have been working with our Boards since I was elected to restructure the Funds to excel in this volatile market.

In order to reinvigorate the Funds, we are working to break free from the conventional wisdom by looking beyond traditional asset classes.

Since I last spoke with you, we have developed several new initiatives to improve performance.

We are beginning to execute a hedge fund investment program. This year, we added this responsibility to Seema Hingorani, our head of Equities who has held senior positions at three

hedge funds. Seema -- who is here today -- will develop and manage the city pension system's hedge fund portfolio. In the spring, three of the funds made a combined commitment of \$450 million to hedge fund-of-funds manager Permal Group.

This is less than one half of 1% (of aggregate assets for all city pension funds) and will get us instantly well-diversified with roughly 25 managers. We are beginning to build a direct hedge fund portfolio, which will be approximately 4 to 5% of each participating NYC pension fund and should ultimately approach \$4 billion.

Our funds are exploring innovative ways to produce better returns while seeking to reduce our overall volatility. We are looking to identify and expand other promising areas such as investments in: distressed and emerging market debt, real assets, and increasing exposure to international equities, private equity and real estate.

We are relentless in our pursuit of performance.

And our work to achieve superior returns requires us to do more than change what we invest in ... It demands us to change who we invest with.

We know that small asset managers are caught in the old trap where they need a track record to get business ... but business to develop a track record.

New Yorkers will only stand to gain if more firms have an opportunity to participate in our investment programs.

The greatest threat to a shared prosperity is that talented professionals might never get the chance to show what they can do. We are continuing our efforts to reach out to existing and potential emerging managers in three ways.

First, we are building upon our current efforts to utilize the talents of emerging managers.

Second, we are expanding opportunity so that all firms have a fair shot to compete.

And third, we are increasing transparency.

Let me begin by updating you about our current emerging managers program, which is designed for firms with under a billion dollars in assets under management. I am proud that New York City is taking a leadership role in the development of strategies to expand opportunities for emerging managers. We view the use of emerging managers as key to achieving a diversified portfolio.

Their relatively small size can be an advantage because it allows them to move quickly to seize opportunities.

We plan to build on this program with even greater commitments, which is why my office issued an RFP in June to expand our Emerging Manager of Manager initiative. While we are still evaluating responses, I can say that the level of interest has been tremendous and that we should soon be in a position to announce an outcome.

-more-

In addition, we are looking at potentially increasing the definition of an emerging manager to firms with \$2 billion dollars in assets under management so we can continue working with these successful and growing firms through this initiative.

I am pleased to note that — owing to the success of our emerging managers programs thus far— several of our emerging managers have graduated into our mainstream program due to the volume and dollar amounts of the assets they are managing.

Key to this effort is the Developing Managers component we have created for those firms who have produced good returns and graduated from the first program. Currently, we have about \$1.7 billion dollars committed to this initiative and are delighted that we can continue to work with these firms who have served us so well.

While these efforts represent important progress ... we fully realize that more needs to be done. For example, we are working to address other historic challenges like access ... or lack thereof.

Many small firms lack the depth of resources needed to market their products. Alternatively, public pension funds often don't have the resources to identify firms in the marketplace nor conduct the necessary due diligence.

During times of volatile capital markets, it is especially critical to hear as many quality ideas as possible. For this reason, we are committed to having an open door policy throughout my office.

As I mentioned before, my office also issues City debt. Our Public Finance Bureau is responsible for issuing bonds in coordination with the Mayor's Office of Management and Budget to finance the City's capital plan and to refinance certain outstanding bonds for interest savings.

In fiscal year 2011 alone, New York City and its related debt issuing entities sold over \$13 billion dollars of long-term bonds. I would like to recognize a member of my bond financing staff, Mark Kim – Assistant Comptroller for Public Finance, who is with us today. Mark and the City's financing team will take meetings with, and hear ideas from, any interested and accredited firms, regardless of their size.

But “opening things up” isn't just about making our office more accessible to emerging firms. It's also about broadly increasing opportunity and competition for everyone. When we make things more competitive, our bosses—the taxpayers—win.

My office is firmly committed to making sure that all firms have opportunities to compete for New York City business. For example, we recently issued RFPs for Financial Advisor and Swap Advisor. I am pleased to say that we received a number of high quality proposals from MWBE firms, and we hope to announce our selections soon.

In addition, we expect to issue RFPs for Bond Counsel and Bond Underwriter in the near future. We always want to ensure that taxpayers get the most for their money, and these RFPs will help us make certain this is the case.

In the same spirit, my office not only believes in utilizing RFPs in selecting our financing team, we also believe in utilizing the competitive method of bond sale when advantageous. By

periodically opening up the process to this type of competition, the City attracts strong bids from a large number of firms.

For example, last month, we successfully completed the first-ever competitive bond sale of \$451 million of new money and refunding bonds for the Municipal Water Finance Authority, attracting nine bids. The winning bid included several MWBE firms. This is another example of how emerging firms can thrive when given an opportunity to compete for City business.

That is what a shared prosperity means -- we prosper and so do they.

We are continuing our effort to increase the inclusion of women and minority business enterprises in our investment programs. To further this goal, we are working with the Boards of the pension funds to expand our Minority Broker Pool.

As a result, I am very happy to announce here today that we will be adding 13 new firms to the Minority Broker Pool, which is an increase of more than 50% from the current number. To date, pool funds have earned over \$12.5 million in commissions executing trades on behalf of the NYC pension funds.

Success among women and minority-owned businesses translates into jobs, increased wealth and long-term prosperity for more people.

One of the lessons of these stories is that everyone benefits from having an open government. That's why I'm firmly committed to making government more transparent.

Since we last spoke, we have launched new online tools to increase pension fund transparency. We recently started web-casting pension fund board meetings and have placed an unprecedented amount of information concerning the City pension funds in our Online Library. These include meeting agendas, asset breakdowns, and robust quarterly performance reports. And we are now working to allow the public to view real-time pension fund performance data online.

If we want to make government more effective in serving its citizens and more representative in selecting its business partners, we have to open things up.

It means giving everyone a fair shot to show what he or she can do.

And the value of getting that sort of chance is something I understand firsthand. I mean, to think that someone like me -- an immigrant from Taiwan who was able to come here to America, go to public schools, have hardworking parents, have a career in finance, run for office and actually get elected to be the first Asian-American citywide official in New York City.

To strengthen our economy, we must widen economic opportunity in our society.

That shows you the promise of America—it is the place that will give you a shot.

We offer opportunity. We demand performance.

It is common sense. It makes economic sense. And it translates into dollars and cents for pensioners and for taxpayers.

-more-

I look forward to working with you in the years ahead to achieve a shared prosperity. Let's seize these opportunities to benefit both the bottom line and the common good.

Thank you.

###