COMPTROLLER OF THE CITY OF NEW YORK
1 CENTRE STREET
NEW YORK, NY 10007-2341
(212) 669-3500

JOHN C. LIU
COMPTROLLER

November 18, 2013

Dear New York City Retirement Systems' Trustee,

I am pleased to provide you with the enclosed Postseason Report on the 2013 Shareowner Initiatives of the New York City Pension Funds and Retirement Systems (the "Funds"). The Funds' proxy committees approved the initiatives, which my office developed and implemented.

As the report details, the Funds once again raised the bar in our efforts to strengthen corporate governance, align executive pay with performance, and promote sustainable business practices, reaching negotiated agreements with 27 of the 55 companies that received shareowner proposals. This 49 percent settlement rate is our highest in recent memory and compares favorably to the 20 percent average settlement rate for all proposals and 34 percent for those sponsored by institutional investors.

Responsive companies agreed to adopt policies to claw back incentive pay from senior executives responsible for costly misconduct; to strengthen board of director independence and accountability; to disclose the race and gender of their workforce, including specifically for senior management; to promote more transparent and sustainable business practices among their global suppliers; to prepare sustainability reports emphasizing energy efficiency and greenhouse gas emissions; and to disclose corporate political spending, among other reforms.

Many of the proposals that went to a vote received strong support. Most notably, the Funds' independent chair proposal at Netflix received a 73.4 percent vote, the highest vote ever on an independent chair proposal, and our board diversity proposal at CF Industries received a 50.7 percent vote, marking the first time a proposal on board diversity has received majority support. To date, both companies have been unresponsive.

In addition, the Funds led or publicly supported "vote no" campaigns against problem directors at Cablevision, Hewlett Packard and Wal-Mart. Two of the Cablevision directors failed to win majority support, in one case for the third time in four years, although both were reseated by the company's captive board. In the contrast, the two Hewlett Packard directors opposed by the Funds were narrowly re-elected, with roughly 55 percent votes, but resigned two weeks later in response to the resounding no confidence votes.

For the second straight year, Wal-Mart's public shareowners (i.e. excluding the Walton family that controls about 50 percent of the stock) cast substantial votes (ranging from 21 to 30 percent in 2013) against the company's Chairman, CEO, former CEO and audit committee chair. Since last year's no confidence vote, which was driven by independence concerns and the reported cover up of alleged bribery in Mexico, Wal-Mart's board has become less independent, even as it has reportedly expanded its investigation into possible bribery to additional countries.

Finally, these "vote no" campaigns are the most visible result of a fundamental change in the way the Funds evaluate and vote on directors at all of our U.S. portfolio companies. Based on the new policy adopted by the proxy committees in early 2012, the Funds voted against 20 percent of the 12,669 directors nominated by portfolio companies in the fiscal year ending June 30, 2013.

The revised director voting policy, together with the 2011 implementation of the Dodd Frank "say-on-pay" requirement, has substantially increased the volume and complexity of the Funds' proxy voting responsibilities. In order to make these improvements more transparent, we have expanded this year's Postseason Report to provide aggregate voting data on both management proposals, including a breakout for director elections and say-on-pay, and shareowner proposals.

Summary

Over the past four years, I have worked with you to build on the Funds' long and proud record of active ownership to protect and create shareowner value. As this year's Postseason Report demonstrates, I am proud of what we have achieved and confident that the changes we have put in place will benefit our participants and beneficiaries for many years to come.

Sincerely,

John C. Liu