

**COMPTROLLER LIU, MAYOR BLOOMBERG AND LABOR LEADERS
ANNOUNCE
AGREEMENT IN PRINCIPLE TO REFORM
NYC PENSION INVESTMENT GOVERNANCE AND MANAGEMENT
Proposal Delegates Investment Authority
for All Five Pension Funds to One Newly Created Body
Authorized to Hire an Independent Professional Manager**

First Major Reform of Pension Investment Structure in 70 Years

NEW YORK, NY - City Comptroller John C. Liu, Mayor Michael R. Bloomberg and organized labor leaders today announced an agreement in principle to reform and professionalize the investment governance and management of the City's pension funds. The proposal would place investment advisory authority for all five of the currently independent City pension funds under one new pension board, supported by an independent, full-time staff led by a Chief Investment Officer, who would be appointed to a fixed term. The proposal is intended to insulate management of pension assets from any political office, further professionalize it and make it more consistent with industry best practices. The proposal aims to increase investment returns, lower the City's pension costs, protect and strengthen pensions for current and future retirees, enhance accountability and guard against the possibility of fraud and corruption. The City's five pension funds currently have 58 trustees, each with a different weighted vote, who decide investment policy. No two systems are governed, managed or operated in the same manner, resulting in complexity, inconsistency and inefficiency. The Mayor and Comptroller made the announcement at City Hall, where they were joined by District Council 37 Executive Director Lillian Roberts, United Federation of Teachers President Michael Mulgrew, Uniformed Firefighters Association President Stephen Cassidy, Patrolman's Benevolent Association President Patrick Lynch, Detectives' Endowment Association President Michael Palladino, Captains Endowment Association President Roy Richter, and Pension Board Trustees.

"The City's pension system dates back more than one-hundred and fifty years," said Comptroller Liu. "This new paradigm will enable us to achieve better results in today's more complex financial markets. Depoliticizing, professionalizing, and streamlining the management of our pension funds will enhance investment returns and reduce pension costs. Our labor leaders and trustees have delivered a huge win for taxpayers and City workers alike with this game-changer."

"In Washington these days, government seems to be hopelessly gridlocked, with each party stressing only what keeps them apart," said Mayor Bloomberg. "But in New York City, we thankfully act differently - bridging differences and bringing people together to find common ground on the toughest issues and working together for the good all New Yorkers. We're overhauling an antiquated pension management system that has needed restructuring for generations - depoliticizing the process, further professionalizing the staff and implementing industry best practices. While these reforms should make a big difference in the management of City pension assets, we still desperately need pension benefit reforms to significantly reduce the pension costs that are siphoning dollars away from City services."

The investment reform proposal will simplify a complex, outdated investment structure to ensure **the \$120 billion New York City Pension System** is best-in-class among peer institutional investors worldwide. Investment expense savings will be realized, primarily by developing in-house investment expertise for certain asset classes. Over the long term,

superior returns would generate significant taxpayer savings through consistent long-term investment direction, strategic risk management, increased accountability and authority, first-mover advantage and a high-caliber, specialized staff.

The major provisions of the investment reform proposal are:

- **The five New York City Pension Funds** would delegate investment authority to a newly created pension investment board composed of City and labor representatives. The board would set strategic objectives and policy for the funds.
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- The Bureau of Asset Management would be moved out of the Comptroller's Office and be re-established as an independent investment entity that will determine consultant and asset manager pools and manage certain asset classes in-house. The proposal calls for the investment entity to be staffed by experienced industry professionals and for compensation packages to attract those investment professionals.
- A Chief Investment Officer will lead the new investment management entity. The Chief Investment Officer will report to the new pension investment board - not to any individual elected official - and will be appointed to a fixed term that will not coincide with citywide election cycles.
- The new pension investment board and new investment staff will adopt best-in-class ethics, governance, training, and code of conduct policies and procedures to protect against fraud, waste and abuse.

The assets of the five pension funds will remain separate under the proposal and each fund will continue to administer benefits and make disability determinations independently.

"We strongly support these efforts to bolster the pension investment returns for New York City Firefighter pensions," said Steve Cassidy, UFA President. "We've been encouraging the city to develop a strategic plan for the pension investments that allows it to enhance investment returns for beneficiaries and be much more responsive to changes occurring in the global financial marketplace."

"The proposal to create an investment board is a win-win situation for the taxpayers and the participants of the retirement system," said District Council 37 Executive Director Lillian Roberts. "District Council 37 members receive an average annual pension of \$17,000. Therefore, a proposal that would help secure the pension of the workers without reducing what is already a small pension is welcome. We applaud Comptroller John Liu for thinking outside the box and for bringing all affected parties to reach consensus on moving forward with this proposal."

"It sounds like an innovative approach to providing relief to taxpayers while maintaining pension guarantees to our past and present employees," said Detectives' Endowment Association President Michael Palladino. "The details are critical to any deal but it is certainly worth listening to."

"The world of finance has changed dramatically over the last few decades," said Roy T. Richter, President of Captains Endowment Association. "Any modification to our current pension system that enables it to adapt quickly to shifting market conditions and preserving pension assets needs careful review and consideration. In difficult economic times, our leaders must examine unconventional partnership to carry us through. Vision, coupled with outside the box thinking is the brand of resilience that makes New York City great."

"New York's business leadership has long advocated for efficiencies in the City's pension systems," said Bill Rudin, Chairman of the Association for a Better New York. "Today's innovative agreement is a step toward reducing taxpayer burdens while protecting current and future municipal employee pensions. Congratulations to Mayor Bloomberg, Comptroller Liu and labor leaders for this historic initiative."

"The New York City Pension System has now adopted a world-class public pension governance model," said Andrew Ang, Ann F. Kaplan Professor of Business at Columbia Business School. "The reforms should allow the new entity to significantly impact returns - by actions as simple as bringing in-house and managing cheaply what had been previously outsourced at much higher costs."

"The newly proposed changes would move New York City Pension Funds to the front of the class of public pension organizations not just in the USA, but internationally as well," said Keith P. Ambachtsheer, Director of the Rotman International Centre for Pension Management at the University of Toronto and President and Founder of KPA Advisory Services.

The New York City Pension Systems consist of five separate funds: The New York City Police Pension Fund, the New York City Fire Department Pension Fund, the New York City Teachers' Retirement System, the New York City Employees' Retirement System, and the Board of Education Retirement System.

Full implementation of the investment reform proposal requires State legislative approval. Representatives from the Mayor's Office, the Comptroller's Office and organized labor will work together to finalize the proposal and work with elected officials to implement the plan.

Details of the proposal are available online at <http://pirnyc.com>

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