



New York City Comptroller
Scott M. Stringer

NEWS

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COMPTROLLER STRINGER ANNOUNCES MAJOR NEW DIVERSITY INITIATIVE FOR INVESTMENT MANAGERS

Framework for incorporating diversity into manager evaluation and selection sets a national standard for public pension funds

(New York, NY) – On Friday, New York City Comptroller Scott M. Stringer announced that the New York City Pension Funds have taken steps to formally consider diversity as a criterion in manager evaluation and selection, by systematically asking current and prospective money managers about the diversity of their investment professionals. “Diversity is not merely a social value, it has strong economic value for our investments,” Comptroller Stringer said. “We want the companies in which we invest to harness the economic and financial benefits of diversity. Now we’re going to ask the people who help us choose where to invest our money to show us that they walk the talk when it comes to diversity.”

The Comptroller’s Office, working with the City’s five pension systems, has taken formal steps to begin implementing a survey and response regimen by which firms will relate the composition of their boards and investment professionals. Diversity will now formally be considered as a criterion in determining which managers are most likely to achieve superior risk-adjusted returns for the pension funds, consistent with the Trustees’ fiduciary duties.

Additionally, consultants who help choose managers for these funds will be required to consider diversity in that selection process. Evaluating new managers on diversity will help create a framework by which diverse managers are publicly recognized and rewarded for advancing diversity within their ranks. One benefit of this new selection process is to create an incentive for enhancing the pipeline for diverse investment professionals and advancing minorities and women to lead firms and possibly open firms of their own.

As an industry, asset managers are failing on diversity. According to data calculated by the City Comptroller’s Bureau of Asset Management based on the [U.S. Equal Employment Opportunity Commission 2013 National Aggregate Report](#), 83 percent of portfolio managers in the United States are white. A Strategic Consulting Group study found that white men own [97 percent](#) of hedge funds. According to [Bloomberg](#), across the 10 largest private equity firms, women account for an average of 10.9 percent of senior managers.

These figures are an even greater cause for concern because of the body of research which demonstrates the value of diversity in promoting long-term sustainable business practices and investment value and lowering risk:

- A 2015 McKinsey [study](#) found that companies in the top quartile of racial/ethnic and gender diversity were 35 percent more likely to have above median financial returns.
- A 2014 [study](#) published in the Proceedings of the National Academy of Sciences of the United States of America found that racially and ethnically diverse traders had a 58 percent greater ability to calculate accurate pricing and true value of stocks.
- A 2012 Credit Suisse Research Institute [study](#) found that companies with women on their boards delivered higher average returns on equity, lower leverage, better average growth and higher price/book value multiples.

The New York City Pension Funds have a strong commitment to engaging Emerging Managers and Minority and Women Owned Business Enterprises (M/WBEs). The Funds currently have \$10.9 billion invested with M/WBEs. Last year, Comptroller Stringer [announced](#) a new \$1 billion commitment to Emerging Managers, including M/WBE managers, of which \$250 million has been committed with significant investments to come. The initiative announced today will create an additional category of investment managers to be known as Diversity Practitioners. “The New York City Pension Funds intend to help set a standard and push the envelope for how pension funds and asset managers alike engage on diversity on a holistic level. As our society and economy become dramatically more diverse, so too must our investors and our investments. The opportunities of tomorrow won’t be captured using the business practices of yesterday. Diversity is a fiduciary duty and these funds are poised to prove that,” Stringer said.

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