<u>Long-term Liabilities Roundtable -- Re-thinking Pension Investments</u>

Tuesday, March 13th
8:30 to 10:30 AM
The Puck Building- Rudin Conference Room (2nd floor)
295 Lafayette Street (between Houston and Prince)

Introductory Remarks
Bernard L. Schwartz

The purpose of this conference is to explore how we might link pension investments with projects, like fixing our infrastructure, that would promote economic growth in our city, our state and our country. It is clear that, regardless of the pressure on state and local budgets, funding that growth is absolutely essential to the prosperity and competitiveness of our nation and the well-being of our citizens.

If we solve this problem by investing in infrastructure, we can put millions of Americans back to work in highly skilled, well-paid permanent jobs...but not only that. We will decrease the time our citizens spend in cars, trains and planes. We will shorten the time it takes to move goods to markets. Infrastructure investment will quicken the pace at our ports of entry for international goods. It will improve the water we drink and the food we eat. It will establish a national electric grid that will allow businesses to use energy efficiently and communicate without boundaries by using advanced systems invented and built by American technology companies.

No one needs convincing that there is a huge deficit in infrastructure investment that is holding us back economically, hobbling American competitiveness, putting our national security at risk and undermining our quality of life. There is ample evidence in the news every day that there is an urgent need to preserve, improve and replace our aging roads, railways, bridges, ports, electric grids, water delivery systems, broadband networks and air traffic control systems.

And, it is clear that a broad and aggressive multi-year infrastructure investment program is the quickest way to create jobs -- 6 to 8 million jobs – jobs that stay in America.

It is such a natural fit. We have the demand. The American Society of Civil Engineers estimates that we would need to invest $2.2 trillion over the next five years to bring our existing infrastructure up to acceptable levels; and, there are 12.8 million people (27.3 million if you count the under-employed and the discouraged) who are without work who would benefit from a large-scale infrastructure investment program.

Further, there are trillions of dollars of capital that is invested globally at the lowest interest rates seen in our generation. What then is lacking? Obviously, it is political will. Legislation addressing our infrastructure deficit languishes in both the Senate and the House, victims of the usual partisan dissension.

One such bill recommends the establishment of a national infrastructure bank that would provide government loans and guarantees to worthy projects for up to 50% of a project's cost. And, of paramount importance, the project loans could have a term of 40 to 50 years and offer the investing marketplace the imprimatur of the federal government as a full-time partner.

Now, our panelists today and many of you in the audience are far better schooled in pension management than I am. But, it seems to me that it should be our objective to offer opportunities to the private sector and to pension funds to make investments in infrastructure at today's competitive rates. It would be a perfect marriage. In the ultra-low-yield world in which we live, there is a shortage of relatively low-risk, long-term, fixed-income investments with the steady income streams that pension funds need.

Infrastructure investments could fill this need. And a national infrastructure bank would serve as a catalyst, encouraging private funds to follow public investment, a proven strategy in our American history since our investment in the Louisiana Purchase.

A national infrastructure bank would operate under a full-time professional staff of experts that would review and negotiate the terms of each project. The staff would be overseen by a non-political board of directors that would be a stake-holder in each approved project. Together they would be responsible for structuring loans and making provisions for repayment. This administrative function is no small task for an individual pension fund or local government.

As I see it, the marriage of pension funds and infrastructure investment results in a win-win situation for all involved. We just need the imagination and the political will to make it easier to accomplish.

Thank you. I look forward to the panel's discussion.