PROPOSED MINUTES OF THE REGULAR MEETING
OF THE COMMISSIONERS OF THE STATE INSURANCE FUND
HELD ON WEDNESDAY, FEBRUARY 15, 2017 AT 10:00 A.M.
At 199 Church Street, New York, New York

PRESENT

Board
Kenneth Theobalds, Chairman
Barry Swidler, Vice Chair
David Ourlicht
Eileen Frank
Charles MacLeod**
Sheila Stamps*
Alexis Thomas*
Louis Roberti**
Navneet Kathuria*
Mario Musolino, *ex officio**

Executive Staff
Eric Madoff, Executive Director & CEO
Shirley Stark, Deputy Executive Director
Francine James, Secretary to the Board
William O'Brien, General Attorney
Nancy Reuss, Chief Financial Officer
Joseph Mullen, Director of Administration
Gregory Francis, Chief Investment Officer
Robert Sammons, Assistant Deputy Executive Director

Staff/Other Attendees
Erik Samarija, Program Research Specialist
James Kennedy, Coordinator of Insur Fund Operations
John Massetti, Director of Policy Holder Services
William Gratrix, Director of Strategic Projects
Kevin Leonard, NEPC

** not present at the February 2017 Board meeting*
*** participated via webcast from Melville & White Plains*

Chairman Theobalds presided. A quorum was announced and present throughout the meeting. For the record, Commissioners Kathuria, Musolino, Stamps and Thomas were unable to attend the February 15th Board meeting due to scheduling conflicts. Their absences were excused.

Commissioners MacLeod and Roberti participated via webcast from NYSIF's Melville and White Plains offices.

1. **Minutes of the January 18, 2017 Board Meeting**

   Upon motion by Commissioner Frank, duly seconded by Vice Chair Swidler, the Board unanimously voted that the minutes of the January 18th regular Board meeting be accepted and filed as the official minutes of the Board of Commissioners. The vote: Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Frank – yes; Commissioner Ourlicht – yes, Vice Chair Swidler – yes; Chairman Theobalds – yes.

proposed

2. Standing Report – Report of Executive Director and CEO Eric Madoff

Executive Director and CEO Madoff began his report by introducing NYSIF's newly hired Director of Strategic Projects William Gratix. He then reserved his report for Executive Session, subject to a motion to enter Executive Session, for a discussion regarding a particular policy holder.

3. Annual Review of Catastrophic and Security Fluctuation Surplus

Chief Financial Officer Nancy Reuss reported on NYSIF's catastrophic and security fluctuation surplus for the year 2017. Ms. Reuss shared that last March NYSIF staff came to the Board to report on how much of the Fund's surplus would be allocated for use in case of terrorism, catastrophe or securities fluctuation events.

As reported by Ms. Reuss, staff recommended to the Board an allocation of $1.01 billion for terrorism/catastrophe and $1.05 billion for securities fluctuation. Ms. Reuss shared that for 2017, staff recommends a slight increase in the terrorism/catastrophe allocation from $1.01 billion to $1.04 billion as required by Federal Terrorism Risk Insurance Program Reauthorization (TRIPRA) and further it was recommended that staff maintain the securities fluctuation at the 2016 level of $1.05 billion.

As part of her report, Ms. Reuss provided background on the above allocations as follows: She pointed out that the Federal government, under TRIPRA, protects insurance providers in the event of a non-nuclear, chemical, biological or radiological attack.

Further, TRIPRA requires that insurance companies pay 20% of written premium as a deductible and, in 2017, fund 17% of losses above that deductible. This percentage will increase annually until it reaches 20%.

Next, Ms. Reuss reported that Willis Towers Watson, NYSIF's external actuary, evaluated NYSIF's risk status in the event of an attack or catastrophe and in doing so modeled past terrorist attacks and associated losses to help us understand our potential risk. Willis Towers Watson further modeled over 3,400 events and only two had losses over $3 billion and none exceeded $3.5 billion. Therefore, as explained by Ms. Reuss, in the event of a $3.5 billion incident, NYSIF would be required to pay a $500 million deductible and approximately $510 million which would be 17% of the cost above the deductible.

As presented, Ms. Reuss shared that the securities fluctuation limits were established by NYSIF's Investment Department and are based on a "value at risk" or VaR approach. VaR measures the potential loss that the portfolio can incur over a specified period (one year in this case). As reported by Ms. Reuss, companies run VaR scenarios at chosen confidence intervals, such as 84%,95% or 99%, which are the most commonly used scenarios.

NYSIF's recommendation is based on a 95% VaR which means that there is a 5% chance that the portfolio can lose more than $1.05 billion over one year. As pointed out, VaR does not indicate a maximum amount and there remains risk that the VaR level could be exceeded.

proposed

Next, Ms. Reuss shared that there are similar allocations in the Disability (DBF) and Aggregate Trust Funds (ATF). For DBF, NYSIF recommends a terrorism/catastrophe allocation of $4 million and a securities fluctuation allocation of $6.57 million.

Finally, Ms. Reuss pointed out that there is no terrorism/catastrophe allocation for the ATF. The ATF securities fluctuation allocation was therefore recommended at $24.6 million.

4. Motion to Accept the Written Reports

Upon motion by Commissioner Ourlicht, duly seconded by Commissioner Frank, the Board unanimously voted to accept the written reports as distributed at the February 15, 2017 Board meeting. The vote: The vote: Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Frank – yes; Commissioner Ourlicht – yes, Vice Chair Swidler – yes; Chairman Theobalds – yes.

5. Report(s) of Standing Committees

Investment

Commissioner Ourlicht, Chair of the Investment Committee reported that the committee met on February 14th and deferred his report for Executive Session, subject to a motion to enter Executive Session, for matters leading to the appointment of a particular corporation.

6. Report of the Secretary to the Board

Secretary to the Board of Commissioners Francine James indicated that the next scheduled Board meeting will be held on Wednesday, March 15, 2017 at 10:00am, at 199 Church Street, New York City.

7. Executive Session

Upon motion by Commissioner Frank, duly seconded by Vice Chair Swidler, the Board unanimously voted to enter Executive Session for a discussion regarding the medical, financial, credit or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation - - specifically this applies to a particular policy holder and the appointment of a firm to provide fixed income analytics solution. The vote: Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Frank – yes; Commissioner Ourlicht – yes, Vice Chair Swidler – yes; Chairman Theobalds – yes.

Return from Executive Session

Secretary James reported the following action was taken by the Board in Executive Session:

Upon motion by Vice Chair Swidler, duly seconded by Commissioner Frank, the Board unanimously voted to approve and authorize the Investment Department to enter into a five (5) year contract with YieldBook Inc., subject to: (i) legal review and execution by staff; and (ii) approval by the Superintendent of Financial

proposed

Services. The vote: Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Frank – yes; Commissioner Ourlicht – yes, Vice Chair Swidler – yes; Chairman Theobalds – yes.

8. <u>Adjournment of Meeting</u>

Upon a final motion by Commissioner Ourlicht, duly seconded by Vice Chair Swidler, the Board unanimously voted to adjourn the Board of Commissioners' regular meeting. The vote: Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Frank – yes; Commissioner Ourlicht – yes, Vice Chair Swidler – yes; Chairman Theobalds – yes.

Respectfully submitted,

Francine James, Secretary

proposed