



**MWBE Asset Management and Financial
Institution Strategy Report
Fiscal Year 2019-2020**

June 1, 2020



Kenneth R. Theobalds
Chairman
Board of Commissioners

June 1, 2020

Honorable Andrew M. Cuomo
Governor of New York State
NYS Capitol Building
Albany, New York

Honorable Carl E. Heastie
Speaker
New York State Assembly
Albany, New York

Honorable Crystal D. Peoples-Stokes
Majority Leader
New York State Assembly
Albany, New York

Honorable William A. Barclay
Minority Leader
New York State Assembly
Albany, New York

Honorable Andrea Stewart-Cousins
Temporary President and Majority Leader
New York State Senate
Albany, New York

Honorable Michael Gianaris
Deputy Majority Leader
New York State Senate
Albany, New York

Honorable John J. Flanagan
Minority Conference Leader
New York State Senate
Albany, New York

Jonathan Smith
Chief Diversity Officer
NYS Capitol Building
Albany, New York

Dear Governor Cuomo, Senate and Assembly Leaders, and Officer Smith:

The New York State Insurance Fund ("NYSIF") continues to exceed the Minority & Women-Owned Business Enterprises ("MWBE") participation goals set by the New York State Governor's Office and NYSIF's Board of Commissioners. NYSIF is proud to be at the forefront of New York State's efforts to level the playing field by reducing barriers to the MWBE certification process and providing opportunities for MWBE firms to demonstrate their qualifications, skills, and expertise.

The following report details the utilization of MWBE's for investment and financial services by NYSIF.

This report will be simultaneously published on NYSIF's website for at least sixty (60) days following its release.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "KTR", is written over a horizontal line.

Chairman Kenneth R. Theobalds
Acting Chair, Investment Committee

cc: Niall O'Hegarty, Deputy Secretary for Financial Services
Barbara Rice, Assistant Secretary for Economic Development
Eric Madoff, NYSIF Executive Director & CEO

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NEW YORK STATE INSURANCE FUND (NYSIF)

NYSIF was established in 1914 as part of the original enactment of the New York State Workers' Compensation Law. NYSIF's mission is to guarantee the availability of workers' compensation insurance at the lowest possible cost to New York employers and to provide timely, appropriate indemnity and medical payments to injured workers, while maintaining a solvent fund.

Since inception, NYSIF has fulfilled the dual roles for which it was created: to compete with other carriers to ensure a fair marketplace and to be a guaranteed source of coverage for employers who cannot secure coverage elsewhere.

NYSIF Mission:

- Achieve the best health outcomes for injured workers by paying indemnity and medical benefits in a timely manner and facilitate appropriate medical care.
- Ensure that all New York businesses have a market for workers' compensation and disability benefits insurance available to them at a fair price.
- Maintain a solvent state insurance fund that is always available to New York businesses.
- Be a competitive force in the marketplace and an industry leader in price, quality, and service.

NYSIF is the largest workers' compensation carrier in New York State and among the top 10 largest workers' compensation carriers in the nation, insuring approximately 150,000 policyholders, with more than \$2.2 billion in earned premium and over \$19 billion in assets. NYSIF's operating income is derived solely from insurance premiums and investments.

In addition to workers' compensation insurance, NYSIF provides disability benefits coverage for off-the-job injuries to more than 61,000 New York employers. In 2018, NYSIF added Paid Family Leave as a component of its disability benefits product, providing New Yorkers with job protected, paid time away from work to care for their families.

NYSIF Financial Highlights as of March 31, 2020

	Value	Percentage
Total assets under management	20,700,538,424	100%
Total assets internally managed	18,187,664,364	88%
Total assets externally managed	2,512,874,060	12%

MWBE Assets Under External Management (by Asset Class)

Asset Class	Market Value	Percent of Externally Managed
Fixed Income	0	0%
Equities	1,148,527,460	46%
External equity portfolio managed by MWBE firms		80%

Investment Staff Diversity

Minority & Women Professionals	14 employees	74% of staff
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HISTORY OF MWBE LEGISLATION

The New York State MWBE Asset Management and Financial Institution Strategy, Chapter 171 of the Laws of 2010, was established to codify and replicate best practices for the inclusion of MWBE asset managers, investment banks, and financial and professional service providers. The strategy encourages greater utilization of the services of MWBE's by fiduciary-controlled entities established by New York State law. Such entities include the Common Retirement Fund ("CRF") under the sole trusteeship of the Office of the State Comptroller ("OSC"), the New York State Deferred Compensation Plan ("NYSDCP"), the New York State Teachers Retirement System ("TRS") and NYSIF.

In State Fiscal Year ("SFY") 2010-2011, NYSIF's Board of Commissioners, in accordance with Workers' Compensation Law §87-i, established an MWBE Asset Management and Financial Institution Strategy ("the MWBE Strategy") aimed at increasing the utilization of MWBE investment and financial services firms. The MWBE strategy adopted an objective standard for reporting on MWBE usage, as required under Workers' Compensation Law §87-i for entities owned by fifty-one percent (51%) or "substantially owned and/ or operated" by women or minority group members.

In SFY 2017-2018, OSC entered into a Consulting Agreement with Lenox Park Solutions, Inc. ("Lenox Park"). The Agreement allows NYSIF to work with Lenox Park, in conjunction with OSC and TRS, to assist with the certification of MWBE firms providing investment related services. With agency assistance, Lenox Park has developed a concurrent listing of certified MWBE firms doing business with NYSIF, OSC and TRS.

OVERVIEW OF NYSIF MWBE PARTICIPATION

Comparative Analysis

- Total dollars paid for all MWBE certified and non-MWBE asset management (equity and fixed income securities), financial institutions (broker dealer and other financial services), and professional service providers (accounting and valuation services) for SFY 2019-20: **\$10,171,329**
- Total dollars paid for MWBE-certified asset management, financial institution participation and professional service providers for SFY 2019-20: **\$4,490,025 or 44 % MWBE certified participation**
- Total dollars paid to non-MWBE asset management firms, financial institution participation and professional service providers for SFY 2019-20: **\$5,681,304 or 56 % non-MWBE participation**

Asset Managers

- Total dollars paid to all MWBE certified and non-MWBE asset management firms for SFY 2019-20: **\$5,466,752**
- Total dollars paid to MWBE-certified asset management firms for SFY 2019-20: **\$4,229,912 or 77 % MWBE-certified participation**
- Total dollars paid to non-MWBE asset management firms for SFY 2019-20: **\$1,236,840 or 23 % non-MWBE participation**

Financial Institutions

- Total dollars paid to all MWBE-certified and non-MWBE financial institutions (**excluding Asset Management firms**) for SFY 2019-20: **\$630,845**
- Total dollars for MWBE-certified financial institutions for SFY 2019-20: **\$189,113 or 30 % MWBE-certified participation**
- Total dollars for non-MWBE financial institutions for SFY 2019-20: **\$441,732 or 70 % non-MWBE participation**
- If custodial banking financial institution services were excluded from the totals within this category, MWBE financial institution participation would stand at **51 %**

Professional Service Providers

- Total dollars paid to all MWBE-certified and non-MWBE professional services providers for SFY 2019-20: **\$4,073,732**
- Total dollars for MWBE-certified professional services providers for SFY 2019-20: **\$71,000 or 2 % MWBE-certified participation**
- Total dollars for non-MWBE professional services providers for SFY 2019-20: **\$4,002,732 or 98 % non-MWBE participation**
- If 'Sole Source' vendors are removed, total dollars for MWBE-certified professional services providers for SFY 2019-20: **\$1,529,297 or 3 % MWBE-certified participation**

AGENCY EFFORTS TO ACHIEVE THE STRATEGY

NYSIF is committed to continuing to provide opportunity to MWBE firms and Emerging Managers. NYSIF's Investment department has Requests for Proposals in progress for which MWBE firms have applied, and more forthcoming during the year. NYSIF's Procurement department has recently incorporated diversity and inclusion queries into Best Value Procurements; however NYSIF will continue to pursue innovative procurements to be more inclusive of MWBE firms to compete and be awarded contracts to provide new ideas and strategies in managing Investments.

PROGRESS OF OUTREACH EFFORTS – NYSIF PROCUREMENT & INVESTMENTS

NYSIF does extensive outreach to MWBE vendors. All competitive investment and financial services procurement opportunities are advertised on NYSIF's website; in the New York State Contract Reporter ("NYSCR"), which is New York State's official publication of procurement opportunities; and in Minority Commerce Weekly, a published journal in which procurement opportunities are advertised to MWBE providers.

In addition, NYSIF sends notices of all procurement opportunities directly to investment and financial providers listed on the Empire State Development Corporation (ESD) Directory of Certified-Minority and Women-Owned Business Enterprises.

Qualified MWBE asset managers and financial services providers have been informed about ESD certification process. Further, NYSIF has worked with both groups and ESD to utilize their expedited certification process of those MWBE eligible vendors currently engaged in NYSIF procurement and contractual opportunities.

To varying degree, NYSIF supports and participates in the following annual events--

- The New York State Black, Puerto Rican, Hispanic and Asian Legislative Caucus- Albany, NY
- The Competitive Edge Conference - New York, NY. Sponsored by members of a consortium of public and private partners working to increase opportunities for MWBE's and small business enterprises and create procurement and contracting opportunities for qualified firms.
- The New York State MWBE Forum – Albany, NY
- NYSIF MWBE Investment Symposium - New York, NY
- The Somos el Futuro Conference - Albany, NY
- Regional MWBE Outreach Events sponsored by ESD
- Veterans in Economic Transition Conference (VETCONNY)- Albany, NY

NYSIF has participated in panels at featured workshops at the New York State MWBE Forum and the Competitive Edge Conference. In the coming year, the Fund will look to expand the level and quality of its participation in these various venues in the spirit collaboration and inclusion.

In 2019, more than half of NYSIF Investment's equity commissions went to MWBE and Service-Disabled Veteran-Owned Business (SDVOB) firms, and more than three-quarters of NYSIF's equity assets were allocated to MWBE/SDVOB asset managers.

In 2020-2021 the Fund will work to provide opportunity for MWBE and Emerging Managers to include allocations in sectors and asset classes where currently no MWBE firms have been awarded contracts.

To further efforts in expanding diversity of businesses utilized by NYSIF and New York State, NYSIF has collaborated with TRS, CRF and other related entities to streamline the MWBE certification process so that commerce transactions with qualifying MWBE's can become part of the agency MWBE utilization.

NYSIF and its Board of Commissioners are committed to diversity and have exceeded the Governor's targets for diversity and MWBE spending, not just in Investments, but in terms of our overall spending. In 2020-21 we look to continue to seek out MWBE firms and Emerging Managers who can provide outstanding services and solid returns.

Annual MWBE Investment Symposium

In February 2020, NYSIF held our milestone 10th Annual MWBE Investment Symposium with NYSIF's Board of Commissioners and Executives. The conference gives MWBE firms a chance to gain knowledge about NYSIF and to be introduced to the Fund as it continues to seek investment managers and providers to further not only its MWBE strategy; but provide overall value to the Fund. The Symposium also provides an open forum to discuss challenges, opportunities and receive constructive feedback from MWBE practitioners in the field. The NYSIF MWBE Investment Symposium agenda is included in this report as Appendix A.

CONCLUSION - NYSIF GOALS

NYSIF will continue to report annually to the Governor, Legislature and the Chief Diversity Officer of the State of New York on the participation of MWBE Asset Managers, MWBE Financial Institutions and MWBE Professional Service Providers in investment and brokerage transactions with NYSIF, or as providers of services to NYSIF.

In financial services, with the challenges that a shift to passive or index Funds present to active MWBE and Emerging Managers, NYSIF will continue to seek innovation and expansion of economic opportunity and value. And across all our business, NYSIF will continue to maximize the utilization of top notch MWBE vendors in 2020-21.

APPENDIX A: NYSIF MWBE Investment Symposium Agenda

NYSIF MWBE Investment Symposium Agenda

BNY Mellon, 88 Murray Street, NY, NY 10007

February 12, 2020

9:30 am – 10:00 am

Registration

10:00 am – 10:15 am

Welcome Remarks

Eric Madoff, Executive Director & CEO, NYSIF

Greetings from the Chair

Kenneth R. Theobalds, Chairman of the Board of Commissioners, NYSIF

10:15 am – 10:45 am

New York State Investment Fund Investment Program

Gregory Francis, Chief Investment Officer, NYSIF

Victor Hymes, CEO & Chief Investment Officer, Legato Capital Management LLC

Les Bond, Chief Executive Officer, Attucks Asset Management, LLC

10:45 am – 11:30 am

Fireside Chat – Building an Emerging Manager Program

Gregory Francis, Chief Investment Officer, NYSIF

Laurie Martin, Chief Investment Officer, State of Connecticut

Brian O'Neil, CFA, Chief Investment Officer, Robert Wood Johnson Foundation

11:30 am – 11:45 am

Break

11:45 am – 12:30 pm

Africa-Opportunities for Institutional Investors in Emerging Markets

Cameron Khosrowshahi, Investment Officer, United States Agency for International Development (USAID)

12:30 pm – 1:30 pm

Networking Lunch

1:30 pm – 2:30 pm

Getting Through the Paperwork (The Procurement Process)

Patti Carroll, Director of Administration, NYSIF

Kevin Leonard, Partner, NEPC - How Managers get approved

Adam Gileski, CFA, Corporate Bond Portfolio Manager and Strategist – How Brokers Get Approved

2:30 pm – 4:00 pm

Speed Dating