



Investment

Policy

Statement

As amended by the Board of Commissioners on November 18, 2020



Article I. Introduction

Pursuant to the laws of the State of New York, the New York State Insurance Fund (“NYSIF”) has the authority and responsibility to provide workers’ compensation insurance to New York employers at the lowest possible cost consistent with maintaining a solvent fund and reasonable reserves and surplus, as well as to provide appropriate indemnity and medical payments to injured workers of its insureds, as well as to provide disability insurance.

Pursuant to §87 of the Workers’ Compensation Law, NYSIF has the authority to invest any of its reserve and surplus funds. NYSIF’s portfolios of investments are the Workers’ Compensation Fund (“WCF”) and the Disability Benefits Fund (“DBF”). Pursuant to §27(6) of the Workers’ Compensation Law, NYSIF is also responsible for the investment of the assets of the Aggregate Trust Fund (“ATF”).

This Investment Policy Statement (“IPS”) sets out NYSIF’s primary investment objectives, strategic asset allocations and risk management metrics, and defines the roles and responsibilities of NYSIF’s Board of Commissioners and NYSIF staff and vendors involved in investment activities. All investment-related activities undertaken by, or on behalf of, NYSIF, including any performed by external investment managers or consultants, will adhere to the terms of this IPS.

Article II. Investment Objectives

NYSIF’s overall investment objective is to ensure fulfillment of its statutory mission by generating investment return while prudently managing risk. To achieve its goal, NYSIF will utilize strategic asset allocations as an effective means of managing risk and return. Since liabilities heavily influence investment portfolio construction, investment objectives differ by portfolio. NYSIF’s investments will be managed to the following fundamental investment objectives:

WCF Investment Objectives

- Generate income to help pay claims and expenses
- Preserve capital
- Ensure adequate asset liquidity
- Preserve and maintain a reasonable surplus

DBF Investment Objectives

- Preserve capital
- Maintain the ability to pay claims

ATF Investment Objectives

- Preserve capital
- Invest the assets to match expected cash flows to extend the ability to pay claims from invested assets in the future

Article III. Roles and Responsibilities

The NYSIF Board of Commissioners (the “Board”) are fiduciaries of NYSIF. As such, they will use the same care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Board of Commissioners

The Board is responsible for setting policy for NYSIF’s investments. The general responsibilities of the Board relating to investments include the following:

- Approve investment objectives;
- Approve a strategic asset allocation;
- Approve a risk management policy and metrics;
- Approve the IPS annually;
- Approve investment-related contracts;
- Approve the hiring and the termination of external investment consultants; external advisors and external investment managers, as appropriate;
- Approve the hiring of a custodial bank;
- Evaluate the performance of NYSIF’s investments, in consultation with the Chief Investment Officer and external investment consultants.

The Investment Committee

The Investment Committee is a Standing Committee of the Board created to assist the Board in discharging its responsibilities relating to NYSIF’s investments.

The Committee meets each calendar month in which there is a meeting of the Board. In service of the Board, the Committee shall:

- Make recommendations to the Board on investment-related matters that require Board approval, including, but not limited to:
 - the IPS and any modifications thereto;
 - the hiring and the termination of external investment consultants, external advisors and external investment managers, as appropriate;
 - other investment-related contracts;
 - a strategic asset allocation;
 - a risk management policy and metrics;
- Monitor compliance with the IPS, including the strategic asset allocation and risk management policies;
- Monitor compliance with statutory and regulatory investment restrictions and Board resolutions relating to investments;
- Monitor the performance of internally and externally managed assets, including the performance of individual external investment managers;

- Approve benchmarks for comparing the performance of asset classes as recommended by the Investment Department;
- Evaluate the performance of external investment managers twice each year;
- Review the IPS annually;
- Review the Securities Lending program annually;
- Review reports on the investment compliance program;
- Review the risk management policy and metrics annually;
- Review investment objectives;
- Review a strategic asset allocation study.

Investment Department

The Investment Department is managed by the Chief Investment Officer (“CIO”) who reports to the Executive Director and the Board.

The CIO shall be responsible for performing and coordinating all investment activities and matters. Investment staff will review and analyze the current investment climate on an ongoing basis. The CIO will recommend to Executive leadership and to the Investment Committee changes to NYSIF’s investment policy and investment program, as appropriate.

The Investment Department’s responsibilities shall include:

- Adhere to the IPS;
- Manage assets to achieve investment objectives;
- Comply with statutory restrictions and internal policies;
- Design, recommend and implement a risk management policy;
- Design, recommend, and implement a strategic asset allocation policy;
- Manage tactical allocation within broad strategic asset allocation guidelines;
- Manage the portfolios to comply with the risk management policy set forth herein (Article IV);
- Manage the portfolios to comply with the strategic asset allocation set forth herein (Article V);
- Recommend appropriate benchmarks for comparing the performance of asset classes;
- Oversee the Securities Lending by NYSIF’s chosen lending agent;
- In consultation with the investment consultant, recommending to the Investment Committee the hiring and terminating of external advisors and external investment managers, as appropriate;
- Collaborate with Finance and Actuarial Departments to determine liquidity needs, including performing stress scenario analysis;
- Report to the Executive staff and the Investment Committee on investment performance, including, but not limited to, the following:
 - Asset allocation
 - Risk management
 - Securities Lending
 - Derivatives use, if any
 - Portfolio performance

Asset classes are reviewed against the appropriate benchmarks on a monthly, quarterly, annual and calendar year-to-date basis. Performance is reviewed at annualized intervals of one, three, five and ten years, and since inception, subject to the availability of the data.

Investment Compliance Officer

The Investment Compliance Officer has primary responsibility to review investments and investment-related matters independently for compliance with statutory, regulatory and Board imposed restrictions and internal policies and procedures. The duties of the Investment Compliance staff shall include the following:

- Review and monitor investment policies, practices and procedures for statutory and regulatory compliance;
- Develop and monitor investment policies, practices and procedures for best practices;
- Provide legal analysis and advice on investment compliance matters;
- Review investment-related agreements, in coordination with the Legal and Procurement departments;
- Independently monitor and report to the Investment Committee at each of its regular meetings as to the compliance of investments with statutes, regulations and Board Resolutions;
- Report to the Investment Committee annually on the investment compliance program;
- Monitor and coordinate with external entities, including investment consultants, investment advisors and external investment managers on NYSIF's statutory, regulatory and Board-imposed investment restrictions and compliance with their contractual agreements with NYSIF.

Investment Consultant

The Board may engage independent investment consultant(s) to assist the Board, Investment Committee and the Investment Department with the management of NYSIF's investments. The investment consultant(s) shall provide an independent perspective on the objectives, structure, performance and managers of NYSIF's investments to the Board and the Investment Department. The investment consultant(s) will:

- Participate in regular meetings with the Board, the Investment Committee and the Investment Department;
- Work directly with the Investment Department to review asset allocation and performance, and to make recommendations to the Investment Committee, Executive leadership and the Board as appropriate;
- Assist the Investment Department, the Investment Committee and the Board with the selection of external investment managers;
- Conduct routine due diligence on NYSIF's external investment managers and report its findings to the CIO and the Investment Committee;

- Promptly inform the CIO and the Investment Committee and discuss the impact of material changes taking place within any current external investment manager's organization or investment process;
- Provide the Investment Department, the Investment Committee and the Board with such research and advice as may be required from time to time;
- Perform any other duties as specified in the contractual agreement with NYSIF.

External Investment Managers

The primary responsibility of the external investment manager is to invest assets in accordance with the manager(s) specific guidelines and objectives. External investment managers shall act as fiduciaries and have the following responsibilities:

- Use the care, skill, prudence and diligence, under the circumstances then prevailing, when managing NYSIF's assets that a prudent person would use in the conduct of an enterprise of a similar character with similar aims;
- Exercise full investment discretion subject to its mandate, as specified in the Investment Manager Agreement and any accompanying portfolio guidelines;
- Communicate with NYSIF's Investment Department and investment consultant in writing, regarding performance, market values and significant changes pertaining to the NYSIF's assets being managed by the under its investment strategy;
- Vote proxies on behalf of NYSIF (if so authorized).

Article IV. Risk Management Policy

The Investment Department will monitor and manage risk of the portfolios and report to the Board on a periodic basis. Key risks include, but are not limited to: credit, liquidity and market risk. NYSIF's risk management objectives are to (1) maintain asset allocations within specified ranges (see Article V), (2) manage the interest rate risk of the portfolio by adhering to "duration risk" ranges, (3) manage portfolio "credit risk" to mitigate credit related losses, and (4) ensure meeting anticipated liabilities by managing "liquidity risk."

Duration Risk

To minimize interest rate risk, NYSIF will monitor that asset cashflows are closely matched to its anticipated claims reserve cashflows. NYSIF shall manage the duration of the portfolios to the duration targets set forth below:

WCF Duration Target:

For the WCF fixed income portfolio, NYSIF will maintain a strategic asset allocation duration target of eight years +/- 1 year.

DBF Duration Target:

For the DBF fixed income portfolio, NYSIF will maintain a duration target of less than three years.

ATF Duration Target:

Not applicable.

Credit Risk

To limit exposure to losses stemming from credit impairment, while maintaining suitably diversified portfolios, NYSIF shall adopt a minimum weighted average credit rating target for its fixed income portfolios as follows:

WCF Credit Target:

NYSIF shall maintain a minimum weighted average credit rating of mid-single A/A2. for the fixed income portfolio.

DBF Credit Target:

NYSIF shall maintain a minimum weighted average credit rating of mid-single A/A2.

ATF Credit Target:

NYSIF shall maintain a minimum weighted average rating of AA-/Aa3.

Liquidity Risk

To ensure that NYSIF has sufficient liquidity to meet its liabilities as they come due, while allowing for any unanticipated drop in premiums or rise in claims, NYSIF shall maintain investments that meet the following requirements:

WCF Liquidity Target:

NYSIF will maintain sufficient combined market value of US government securities to pay 75% of liabilities coming due in the next 365 days.

DBF Liquidity Target:

For the DBF, NYSIF will maintain sufficient combined market value of US government securities to pay 75% of liabilities coming due in the next 365 days.

ATF Liquidity Target:

Not applicable.

Adjustments

The Investment Department will review the actual duration, minimum average credit rating and liquidity of the portfolios, as applicable, no less than monthly. If a portfolio falls outside of the above risk management target(s) set forth, above, the CIO will notify Executive staff and the

Investment Committee, and adjust the portfolio back to target(s) as promptly as would be prudent considering market conditions, transaction costs, and any other relevant factors, and inform Executive staff and the Investment Committee of the plan to adjust the portfolio back to target(s).

Revisions

If unforeseen and exigent market or other conditions require a change to the risk management policy target(s) prior to the next IPS annual review, the CIO may seek approval from the Investment Committee to revise the target(s). The Investment Committee may impose whatever conditions and time-limits for approval that it deems appropriate, provided that in no event will a revision be approved by the Investment Committee for longer than three months without Board approval, and that the Investment Committee report to the Board on the revision at the next meeting of the Board.

Article V. Asset Allocation Policy

To meet its investment objectives, NYSIF has established the strategic asset allocations (“SAA”) set forth below, through consideration of each portfolio’s liabilities, risk tolerance and liquidity needs, and NYSIF’s statutory restrictions. The SAA will be reviewed at a minimum of every four years based upon the results of an asset liability study.

NYSIF will regularly review and tactically adjust the composition of its portfolios, within the ranges set forth below, and adjust its exposures based upon the market environment, NYSIF’s risk tolerance and other factors.

The WCF will be invested across the following asset classes:

- Investment Grade Fixed Income
- Public Equities
- Risk Assets (i.e. High Yield, Real Assets and Alternatives)
- Cash

The DBF will be invested across the following asset classes:

- Investment Grade Fixed Income
- Cash

The ATF will be invested across the following asset classes:

- US Investment Grade Fixed Income
- Cash

Assets will be broadly diversified to minimize the impact of loss on any single investment in the total portfolio.

The current SAA policy targets and ranges are set out, below, for the allocation of NYSIF assets on a market value basis. The ranges are boundaries for individual asset classes.

WCF Asset Allocation Policy

Asset Class	Min Range	Policy Target	Max Range	Benchmark
Investment Grade Fixed Income	78%	85%	100%	NYSIF Custom Benchmark
High Yield	0%	4%	7%	High Yield Custom Index
Public Equities	0%	5%	8%	Russell 3000 Index
Alternatives	0%	4%	7%	TBD
Cash	0%	2%	3%	ICE BofAML 3-month T-Bill Index

ATF Asset Allocation Policy

Asset Class	Min Range	Policy Target	Max Range	Benchmark
US Investment Grade Fixed Income	95%	100%	100%	ICE BofAML 7-10 Year AAA-A US Corp. & Gov't Index
Cash	0%	0%	5%	ICE BofAML 3-month T-Bill Index

DBF Asset Allocation Policy

Asset Class	Min Range	Policy Target	Max Range	Benchmark
Investment Grade Fixed Income	95%	100%	100%	ICE BofAML 0-1 Year AAA-A US Corporate Index
Cash	0%	0%	5%	ICE BofAML 3-month T-Bill Index

Asset Allocation Rebalancing

The Investment Department and the investment consultant will review the actual asset allocation percentages no less than quarterly. If an asset allocation falls outside of the minimum or maximum range limits set forth, above, the CIO will notify Executive staff and the Investment Committee, and will rebalance the portfolio back to within the SAA policy ranges as promptly as would be prudent considering market conditions, transaction costs, and any other relevant factors, and inform Executive staff and the Investment Committee of the plan to adjust the portfolio back to target(s).

Revisions

If unforeseen and exigent market or other conditions require a change to the asset allocation targets and ranges prior to the next IPS annual review, the CIO may seek approval from the Investment Committee to revise the SSA policy targets and ranges. The Investment Committee may impose whatever conditions and time-limits for approval that it deems appropriate, provided that in no event will a revision be approved by the Investment Committee for longer than three months without Board approval, and that the Investment Committee report to the Board on the revision at the next meeting of the Board.

Article VI. Derivatives

Derivatives can be a useful tool in portfolio management.

A derivative instrument is defined as an “agreement, option, instrument or a series or combination thereof: (A) to make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make cash settlement in lieu thereof; or (B) that has a price, performance, value or cash flow based primarily upon the actual or expected price, level, performance, value or cash flow of one or more underlying interests.” Insurance Law § 1401(7)

NYSIF may invest surplus funds in derivative instruments as permitted under Workers’ Compensation Law § 87.

Article VII. External Investment Managers

If the CIO and the investment consultant determine that NYSIF lacks the necessary expertise to manage a specific asset allocation internally, or that certain assets would be more effectively managed by a third party, they may recommend to the Investment Committee that the hiring of one or more external investment managers.

External investment managers will have discretionary authority over day-to-day management of NYSIF assets consistent with this IPS and all statutory and regulatory requirements applicable to NYSIF. External investment managers will enter into NYSIF’s Investment Manager Agreement which sets out duties and responsibilities of an external investment manager. External investment managers will report directly to the Investment Department and the Investment Committee.

Watch List and Termination

The CIO and the investment consultant may recommend to the Investment Committee placing an investment manager on a Watch List or terminating a manager for any of the following reasons:

- Performance: Performance shortfalls or risk profile discrepancies as compared with peers with a similar mandate; and the agreed upon performance benchmark;
- Change in strategy: Departures from the directed strategy or investment philosophy;
- Change in organizational structure or personnel: Significant personnel departures from the investment team, or a shift in culture, activity or managerial roles due to a merger or other event;
- Changes in ownership or business plan;
- Compliance: Any gross negligence, willful misconduct, investment policy violation, or breach of federal or state securities laws or regulations;
- Advent of material litigation;
- Material change in number of clients or AUM at the firm or within the directed strategy;
- In the discretion of NYSIF.

In general, managers placed on a Watch List will not receive additional assets to manage.

The investment Department and investment consultant will conduct a monthly review of any manager placed on a Watch List.

Article VIII. Securities Lending

WCL § 87 (4) permits NYSIF to loan its securities under a security loan agreement, by order of the Board and approved by the superintendent of financial services. The Investment Department will oversee Securities Lending program which will be administered by one or more chosen lending agent. The Securities Lending policy will be reviewed.

Article IX. Proxy Voting

The Investment Department will oversee the voting of proxies for NYSIF's internally-managed equity holdings, if any. For externally managed equities, the Investment Department will ensure that the external managers have policies for proxy voting. NYSIF will retain the right to direct the voting of any proxy as NYSIF determines in its absolute discretion to be appropriate.

Article X. Ethics

NYSIF Officers and Employees, including those involved with NYSIF's investments, must refrain from having any interest, or engaging in any business or transaction, which conflicts with their NYSIF duties. All Officers and Employees are subject to, and will comply with, New York's ethics laws (including, without limitation, Public Officers Law Article 4) and NYSIF's Employee Vendor Policy, Code of Ethics and Commissioners Code of Ethics, as applicable.