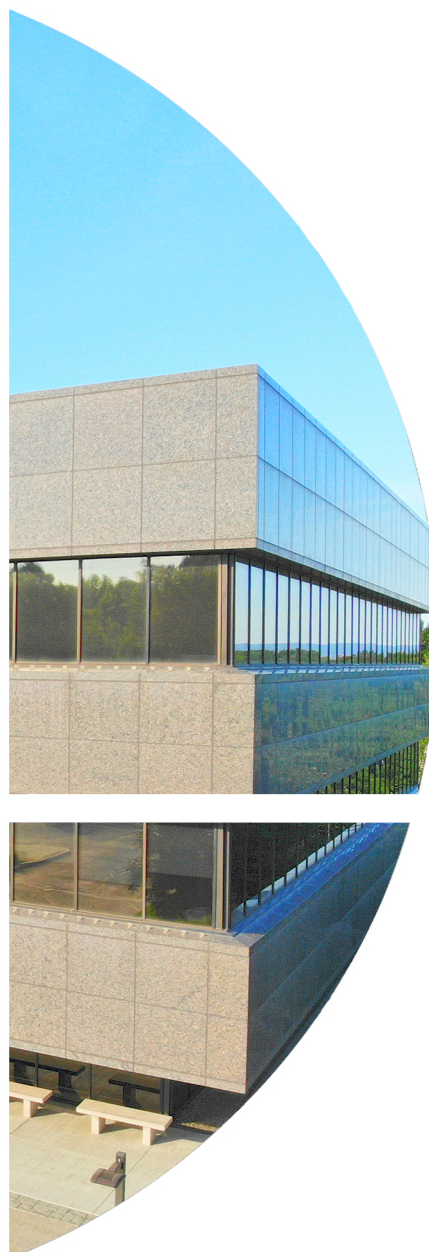




NEW YORK
STATE TEACHERS'
RETIREMENT SYSTEM

M W B E
MINORITY- AND
WOMEN-OWNED
BUSINESS
ENTERPRISES
R E P O R T



Asset Management and Financial Institution Strategy Report
2018-2019 Fiscal Year



*Providing Retirement Security for
New York Educators Since 1921*

Our Mission: To provide our members with a secure pension.

Our Vision: To be the model for pension fund excellence and exceptional customer service.

Our Values: Integrity, Excellence, Respect, Resourcefulness, Diversity, Diligence, Balance

Thomas K. Lee
Executive Director & Chief Investment Officer

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About NYSTRS

Established in 1921 by the New York State Legislature, the New York State Teachers' Retirement System ("NYSTRS" or the "System") administers the fund from which New York state public school teachers and administrators (excluding those in New York City) receive retirement, disability and death benefits.

NYSTRS is one of the 10-largest public retirement systems in the nation and 30 largest in the world. We serve nearly 433,000 active and retired members, including beneficiaries.

A 10-member Board of Trustees representing various constituents sets policy and oversees System operations. By law, the Board's composition is as follows:

- Three teacher members are elected from the membership, one each year, by delegates to the System's Annual Meeting.
- One NYSTRS retiree is elected (if more than one candidate) by a mail vote of all retired members.
- Two school administrators are appointed by the state Commissioner of Education.
- Two present or former school board members, experienced in the fields of finance and investment, are elected by the Board of Regents based on recommendations of the New York State School Boards Association. At least one of these individuals must have experience as an executive of an insurance company.
- One present or former bank executive is elected by the Board of Regents.
- The State Comptroller or a designee.

Trustees serve three-year terms, except the State Comptroller (or designee) who serves while in office.

NYSTRS Board Members

(as of 11/30/2019)

David P. Keefe, *President*

Retired Teacher Member
Elected by NYSTRS Retirees
Trustee since 2004

Dr. L. Oliver Robinson, *Vice President*

School Administrator
Appointed by Commissioner of Education
Trustee since 2010

Sheila Sullivan Buck

Teacher Member
Elected by NYSTRS Delegates
Trustee since 2017

Daniel J. Hogarty Jr.

Bank Executive
Elected by Board of Regents
Trustee since 2005

Elizabeth A. Chetney

Teacher Member
Appointed by Commissioner of Education
Trustee since 2019

Jennifer J. Longtin

School Boards Association Representative
Elected by Board of Regents
Trustee since 2019

Ronald Gross

Teacher Member
Elected by NYSTRS Delegates
Trustee since 2017

Christopher Morin

School Boards Association Representative
Elected by Board of Regents
Trustee since 2019

Dr. Phyllis S. Harrington

School Administrator
Appointed by Commissioner of Education
Trustee since 2010

Nicholas Smirensky

State Comptroller Appointee
Trustee since 2007

Governance Structure

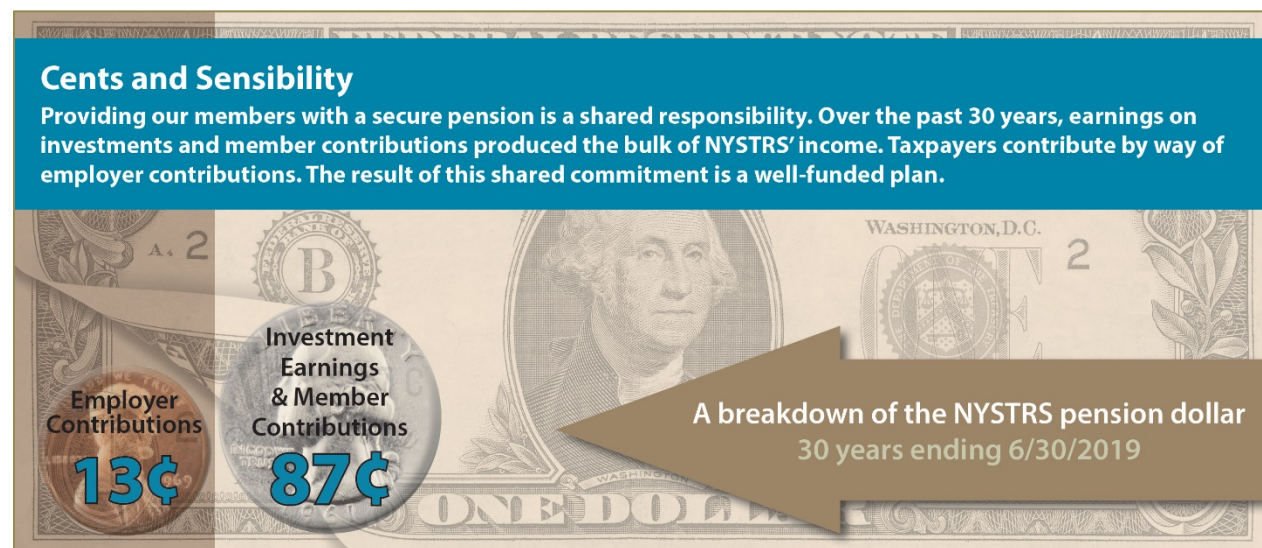
Members of the NYSTRS Board, who serve without pay, have a fiduciary responsibility to safeguard the fund used to pay guaranteed retirement and ancillary benefits to the System's members and beneficiaries. The Board receives counsel from staff, advisory committees and investment consultants to help formulate its investment policy. Board members are entrusted to invest funds at the highest possible long-term rate of return consistent with appropriate levels of diversity and risk. The funds must be invested with the care, skill and diligence that a prudent person familiar with such matters would use to ensure that sufficient assets are on hand to pay promised benefits when they come due. This must be accomplished at the lowest possible cost to participating employers.

The design, implementation and administration of appropriate internal controls protecting the security of assets are the responsibility of System management. To ensure the validity of these controls, a system of both external and internal checks and balances exists. Financial information and internal controls are subject to audit by the New York State Department of Financial Services and the System's Internal Audit Department. In addition, KPMG LLP, an independent certified public accounting firm, audits the System's financial statements annually. The System consistently receives favorable audit opinions.

Funding

Funds used to pay promised benefits come from employer contributions, member contributions and investment income. Assets are professionally managed and invested on a long-term basis using sound investment policies. Over the past 30 years, investment income has accounted for 85% of all NYSTRS income.

As of June 30, 2019, System net assets totaled \$122.5 billion, with total assets under management of \$120.5 billion. During the fiscal year ended June 30, 2019, the System's annual benefit payroll for its approximately 169,200 retirees and beneficiaries was \$7.3 billion. About 80% of this total, or over \$5.8 billion, is paid to retired members and beneficiaries living in New York state. These payments serve as an important economic stimulus.



Investments

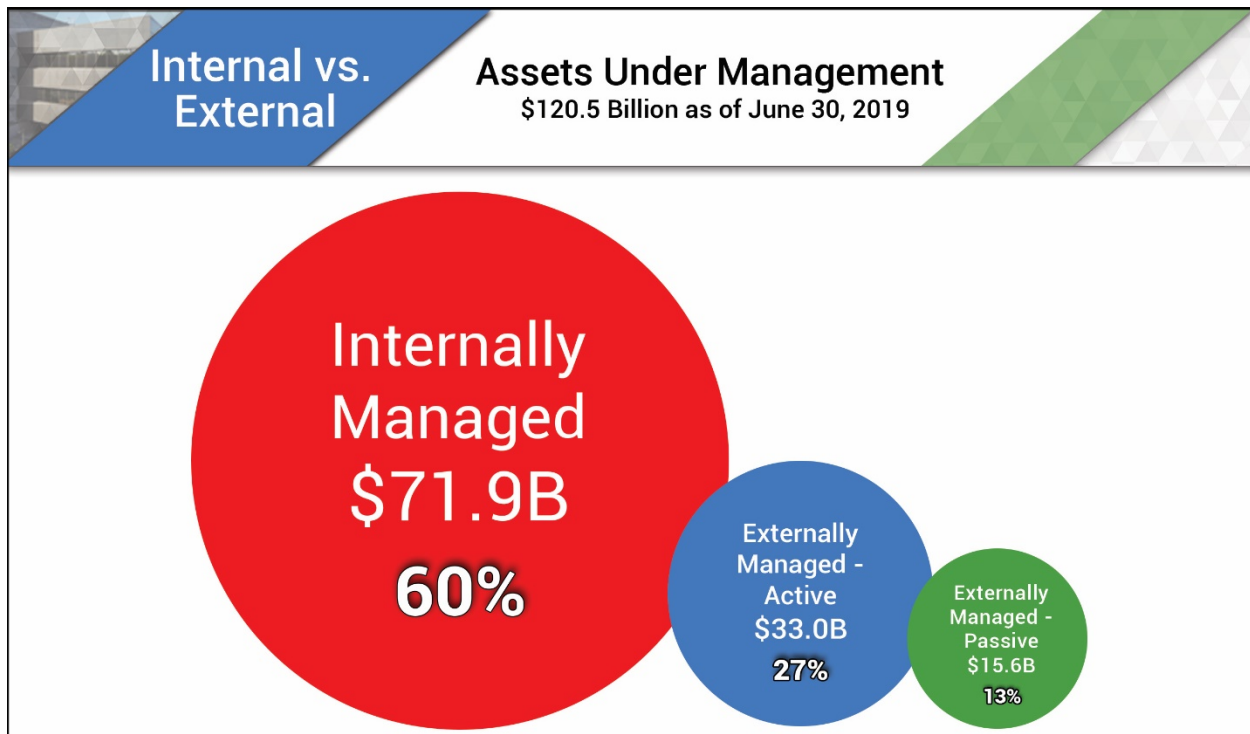
The System's assets are invested in the most prudent manner possible in order to achieve optimum long-term total returns with an appropriate level of risk. The System is committed to a disciplined, risk-controlled investment approach that focuses on thoughtful and prudent diversification of assets across a broad spectrum of capital market segments. The allocation of assets within the portfolio, as well as the fund's overall structure, are continuously reviewed and adjusted as appropriate to achieve these goals.

NYSTRS' diversification of assets helps the System earn the highest possible long-term rate of return within appropriate risk levels. In turn, this enables the System to pay guaranteed benefits to retirees and beneficiaries at the lowest possible cost to participating employers and the taxpayers that fund them.

Asset classes in which NYSTRS invests include: domestic equity; international equity; global equity; real estate equity; private equity; domestic fixed income; high yield bonds; global bonds; real estate debt; private debt; and cash equivalents.

Approximately 60% of the System's investments are managed internally by the System's own investment professionals. These investments primarily consist of index-matching domestic equity funds and fixed income instruments. Internal management allows the System to control fees and helps reduce the System's cost of operation. NYSTRS administers the plan at a very low cost in comparison to the value of assets managed.

Asset Allocation as of 6/30/19	
Domestic Equity	35.2%
International Equity	17.2%
Global Equity	2.1%
Real Estate Equity	10.7%
Private Equity	7.8%
Total Equity	73%
Domestic Fixed Income	15.6%
High Yield Bonds	0.2%
Global Bonds	2.4%
Real Estate Debt	5.9%
Private Debt	0.5%
Cash Equivalents	2.4%
Total Debt	27%
Total Plan Assets	100.0%



NYSTRS Financial Highlights

All figures as of June 30, 2019

Total assets under management*:	\$120,482,782,412	
Total assets internally managed:	\$71,918,659,618	(60%)
Total assets externally managed – active:	\$33,008,105,117	(27%)
Total assets externally managed – passive:	\$15,556,017,678	(13%)
Total MWBE assets under external management**:	\$3,753,224,271	(7.73%)
Total fees paid to external firms:	\$297,518,903	
Total fees paid to MWBE firms:	\$38,824,683	(13.05%)

MWBE Assets Under External Management (by Asset Class)

(As a percentage of externally managed)**

Asset Class	Market Value	Percent of Externally Managed**
Fixed Income	\$0	0%
Private Equity & Private Debt	\$1,342,913,931	2.77%
Domestic, International & Global Equities	\$1,719,211,447	3.54%
Real Estate Equity & Real Estate Debt	\$691,098,893	1.42%

Breakdown of Private Equity and Private Debt Committed Capital

	# of Firms	Committed Capital	Percent of Committed Capital
All Firms	107	\$24,310,939,401	100%
MWBE Firms	16	\$2,769,900,000	11.39%

Breakdown of Fees by Category

Category	Asset Management	Financial Institutions***
Total Fees Paid to All Firms	\$294,163,544	\$3,355,359
Total Fees Paid to MWBE Firms	\$38,525,570	\$299,113
Percent of Fees Paid to MWBE Firms	13.10%	8.91%

*System net assets as of June 30, 2019 are \$122.5 billion, which include assets under management (\$120.5 billion), other assets and liabilities.

**Reflects percentage of externally managed assets (active and passive).

***Includes estimated fixed income commissions.

New York's MWBE Asset Management and Financial Institution Strategy

The New York State Minority- and Women-Owned Business Enterprise (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 MWBEs 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, the New York State Insurance Fund ("NYSIF"), the New York State Deferred Compensation Plan and NYSTRS.

In keeping with the law, the System's Retirement Board adopted the NYSTRS MWBE Asset Management and Financial Institution Guidelines ("Guidelines") for the certification of all business entities providing asset management investment-related business or services as a financial and professional service provider. Any actions taken by NYSTRS must be consistent with its overriding fiduciary responsibility to its members, retirees and beneficiaries. The Guidelines are provided in Appendix B of this report.

Among other things, Chapter 171 authorizes NYSTRS to:

- Periodically advertise the existence of its MWBE strategy and make MWBE firms aware of opportunities to conduct business with NYSTRS.
- Provide a report to the Governor, Legislature and the State Chief Diversity Officer, within 60 days from the close of NYSTRS' fiscal year, on MWBE provision of services to the System.
- Work with the Office of the State Comptroller, New York State Insurance Fund and the New York State Deferred Compensation Plan in creating a database of MWBEs utilized by respective parties.
- In conjunction with other fiduciary entities, hold an annual MWBE conference to promote the System's MWBE strategy and educate MWBE firms on business opportunities with the System.

In accordance with the Strategy and Guidelines, NYSTRS, in conjunction with the CRF and NYSIF, continue to collaborate on best practices and the ongoing certification process. Further, NYSTRS submits this annual report to the Governor, Legislature and Chief Diversity Officer on the utilization of MWBEs.

Advancement of MWBE Guidelines

NYSTRS cooperates with the Common Retirement Fund (“CRF”) under the sole trusteeship of the Office of the State Comptroller and the New York State Insurance Fund (“NYSIF”) to survey and certify asset managers, financial institutions, and financial and professional service providers (in the areas of accounting, banking, financial advisory, insurance, legal, research, valuation and other financial and professional services) to determine which existing business partners qualify as MWBEs. NYSTRS, together with the other fiduciary controlled entities, updates the MWBE certification survey and pursues certifications in which each entity separately invests.

In accordance with the New York statutory provisions and the NYSTRS MWBE Asset Management and Financial Institution Guidelines, the business entities may qualify as a traditional MWBE firm or a substantially owned and/or operated firm.

Traditional MWBE

A traditional MWBE is at least fifty-one percent owned by one or more minority group members, and/or by one or more women, in each case, who have significant experience in the relevant area.

Substantially Owned and/or Operated MWBE

A substantially owned and/or operated firm includes firms with at least thirty-three percent ownership and/or operation by members of minority groups and/or women and of the thirty-three percent have at least twenty-five percent ownership by minority group members and/or women. Under substantially owned and/or operated, each individual counted in determining percentage of ownership or operation is counted once.

MWBE Certification

NYSTRS, CRF and NYSIF worked collaboratively with Lenox Park Solutions, a New York-based MWBE, to update the certification survey and conduct the certification review process of firms established as business partners with NYSTRS during the 2018-19 fiscal year.

NYSTRS has an ongoing process to conduct an MWBE certification review of asset managers, financial institutions, and financial and professional service providers doing business with NYSTRS for the relevant fiscal year. Lenox Park Solutions assembled and gathered survey responses for our new business relationships and the System’s engagement with Lenox Park will continue for the following fiscal year.

Pursuit of MWBE Guidelines

The System's commitment to and ongoing pursuit of MWBE Guidelines is evidenced as follows.

Ongoing Initiatives

- The public equities team continued to pursue MWBE relationships through its manager-of-managers program. In addition, the team continued to engage in introductory meetings with MWBE managers, as well as attend conferences to better understand emerging manager trends.
- The fixed income team is focused on building existing relationships, as well as establishing new ones, through the System's annual MWBE conference. The team takes part in introductory and firm update meetings with MWBE fixed income money managers. Additionally, staff continues to take proactive steps to split new issue long-term bond deals to allow MWBE co-managers to take direct orders.
- The managing director of real estate is a board member of the Pension Real Estate Association (PREA), which partners with the Robert A. Toigo Foundation to grant an annual PREA/Toigo scholarship to minority and women students. During the summer of 2019, the real estate team hosted its second intern through the PREA/Sponsors for Educational Opportunity internship program, which provides career opportunities to women and minority students in the industry.
- The private equity team continually reviews MWBE materials and takes meetings with entities that maintain strategies aligning with our plan. Since the inception of the System's annual MWBE conference, NYSTRS has made a number of direct fund investments stemming from relationships formed in connection with the conference.
- The risk management team engaged an MWBE consulting firm for its expertise in investment compliance. The team also engaged an MWBE reseller for the purchase of business software.
- The System's Chief Administrative Officer is serving on the CFA Institute's Diversity and Inclusion Steering Committee.
- Legal staff continues to seek MWBE firms to provide legal due diligence services related to investments. Staff has incorporated a diversity staffing questionnaire with each engagement request of outside counsel for investment-related work. Outside firms are required to identify whether they expect 25% or greater of billable hours for the proposed engagement to be generated by women partners, counsels or associates, and/or minority (men or women) partners, counsels or associates. The System's intent and expectation is for greater awareness of diversity staffing on the part of outside firms and increased opportunities for qualified MWBE attorneys to be assigned to work and gain additional experience on System assignments.

Participation in MWBE Events

- NYSTRS was an exhibitor at the New York State MWBE Forum held in October 2018. System staff also participated in the Forum's sessions.
- System staff attended the Office of the State Comptroller's MWBE Conference in February 2019.
- The private equity team attended the following events in the 2018-2019 fiscal year:
 - Sponsors for Educational Opportunity's (SEO) 10th Annual Alternative Investments conference (February 2019) – The event is a key part of SEO's work to expand diversity in the alternative investment sector.
 - National Association of Investment Companies (NAIC) roadshow (May 2019) – NAIC is the largest network of diverse-owned private equity firms and hedge funds in the U.S.
 - Accelerate Investors annual conference (June 2019) – The conference brings together thought leaders, advocates and strategic partners who are accelerating diversity within institutional investment management and who promote greater access to capital for diversity-led fund partnerships.
- The private equity and real estate teams attended GCM Grosvenor's Consortium 2019: Diverse + Women Managers Conference in June 2019. The 16th annual event continued the tradition of fostering lasting connections between institutional investors and diverse and women managers.

MWBE Participation by Asset Class

The following summarizes, by asset class, the status of NYSTRS' MWBE relationships.

Domestic, International and Global Equities

(54.5% of all invested assets as of 6/30/19)

External Portfolio Management

NYSTRS makes direct allocations and often uses managers-of-managers to invest capital on its behalf. In August 2016 and April 2018, NYSTRS' Retirement Board authorized a change in the asset allocation to domestic equities, which together with strong equity market performance, necessitated trimming of the domestic equity portfolio.

In early March 2019, NYSTRS made another direct investment of \$125 million with Ariel Investments' international active, long-only strategy.

In addition, Progress Investment Management Company ("Progress"), Leading Edge Investment Advisors ("Leading Edge") and FIS Group are MWBE firms that serve as a manager-of-managers on NYSTRS' behalf. The programs managed by Progress and Leading Edge are all-cap domestic equity strategies. FIS manages an international equity program for the System, including investments in developed and emerging markets.

Details regarding our MWBE partners are summarized in the following table.

Emerging Manager Partner	MWBE Status	Program Type	Market Value
Ariel Investments	African American	International Equity Direct Mandate	\$261,988,376
FIS Group	African American/ Women	International Equity Manager of Managers	\$266,213,296
Leading Edge Investment Advisors	Asian American	Domestic Equity Manager of Managers	\$423,294,909
Progress Investment Management Company	African American/ Women	Domestic Equity Manager of Managers	\$767,714,866
Total			\$1,719,211,447

The programs referenced above include MWBE sub-managers, within their portfolios, including:

Affinity Investment Advisors Ativo Capital Management Blackcrane Capital Bowling Portfolio Management Change Global Investments Denali Advisors Mar Vista Investment Partners	Martin Investment Management Matarin Capital Management Metis Global Partners Nicholas Investment Partners Oakbrook Investments Phocas Financial Corp. Redwood Investments
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Public Equity Brokers

Public equity trading staff continued to strengthen relationships with 21 existing MWBE certified brokers during NYSTRS' 2018-2019 fiscal year. Throughout this period, \$129,000 of a total \$532,000 commission dollars was paid to MWBE trading partners. A comparison of the last two fiscal years follows.

**NYSTRS' Domestic Equity Commissions
(Percent Paid to MWBE)**

	7/1/18—6/30/19	7/1/17—6/30/18
Total Commissions (,000s)	\$532	\$505
Paid to MWBE (,000s)	\$129	\$132
Total MWBE %	24%	26%
Total # of Approved Brokers	33	34
Total # of Approved Brokers		
MWBE Brokers	21	22
Total MWBE %	64%	65%

Approved MWBE Brokers and Year Approved

Blaylock Beal Van, LLC, 2011	North South Capital, LLC, 2011
Bley Investment Group, Inc., 2011	Penserra Securities, LLC, 2012
Cabrera Capital Markets, LLC, 2011	Samuel A. Ramirez & Co., 2011
Capital Institutional Services, 2016	Siebert Cisneros Shank & Co. LLC, 2011
CastleOak Securities, L.P., 2011	Sturdivant & Co., 2012
CL King & Associates, 2011	Telsey Advisory Group, 2011
CV Brokerage, 2015	The Fig Group, LLC, 2012
Great Pacific Securities, 2016	Tigress Financial Partners, 2016
Ivy Securities, Inc., 2011	Tribal Capital Markets, 2016
Loop Capital Markets, 2011	Williams Capital Group, 2011
Montrose Securities, 2012	

Note: NYSTRS' approved broker list also includes three brokers that are VBE (Veteran Business Enterprise) or DVBE (Disabled Veteran Business Enterprise) certified: Mischler Financial Group (DVBE, 2011); Drexel Hamilton (DVBE, 2014); and Vandham Securities (VBE, 2015).

Fixed Income

(20.6% of System assets as of 6/30/19. Includes internally managed domestic fixed income, cash equivalents, and externally managed global bonds and high yield bonds.)

During NYSTRS' 2018-19 fiscal year, fixed income staff continued to strengthen relationships with MWBE fixed income counterparties. This was accomplished through outreach at NYSTRS' 2019 MWBE Conference, as well as by regular interaction with approved MWBE counterparties of the System's internally managed short-term and long-term bond portfolios. Ongoing communication helps MWBE firms expand their understanding of System objectives as it relates to fixed income and improves System relationships with MWBE fixed income counterparties.

During the fiscal year, the fixed income team continued its commitment to communicate the objectives and areas of focus in the fixed income asset class while simultaneously building relationships with the MWBE firms listed below.

Firm	MWBE Status
Academy Securities, Inc.	Hispanic*
Blaylock Beal Van, LLC	African American/Native American
Cabrera Capital Markets, LLC	Hispanic/Asian American
CL King & Associates	Women
CastleOak Securities	African American
Duncan Williams	Women
Great Pacific Securities	Hispanic
Guzman & Company	Hispanic
Loop Capital Markets, LLC	African American/Women
MFR Securities Inc.	Women
Ramirez & Company	Hispanic/Women/Asian American
Rice Financial Products Company	African American
Siebert Cisneros Shank & Co. LLC	African American/Women/Hispanic
Williams Capital Group	African American/Women

**Can also be classified as a Disabled Veteran Business Enterprise firm, but for the purposes of this report is included only in the MWBE section to avoid double counting.*

The following table illustrates the total fixed income estimated commissions paid to MWBE firms. When compared to the prior fiscal year, fixed income's level of transaction activity with MWBE firms declined due to an overall decrease in investment activity in the second half of the fiscal year. However, since the 2011 fiscal year, the overall level of activity is 27% higher.

NYSTRS' Estimated Fixed Income Commissions – MWBE Firms

Fiscal Year	Short-term Bonds	Long-term Bonds
2018-19	\$100,223	\$48,937
2017-18	\$217,335	\$96,151
2016-17	\$241,872	\$70,077
2015-16	\$104,517	\$88,583
2014-15	\$91,483	\$100,362

For the recently completed fiscal year, estimated commissions paid to MWBE firms represented 13.5% of all commissions paid in the short-term bond category and 2.5% of all commissions paid in the long-term bond category. This compares to the 2017-18 fiscal year when estimated commissions paid to MWBE firms represented 16.8% of all commissions paid in the short-term bond category and 3.6% of all commissions paid in the long-term bond category.

Additionally, fixed income has Disabled Veteran Business Enterprise (DVBE) relationships with three firms: Drexel Hamilton LLC, Mischler Financial Group and Multi Bank Securities.

For the fiscal year ended June 30, 2019, Disabled Veteran firm estimated commissions represented 2.1% of short-term bond transaction activity and 0.3% of long-term bond activity. In comparison to the 2017-18 fiscal year when estimated commissions from DVBE firms represented 1.1% of short-term bond transaction activity and 0.3% of long-term bond transaction activity. Activity with DVBE firms is

dependent on their inclusion in new issue corporate bond deals, access to money market instruments and ability to source secondary corporate bonds.

NYSTRS' Estimated Fixed Income Commissions – Disabled Veteran Firms

Fiscal Year	Short-term Bonds	Long-term Bonds
2018-19	\$15,401	\$5,552
2017-18	\$14,564	\$7,187
2016-17	\$11,593	\$12,681
2015-16	\$4,268	\$16,861
2014-15	\$4,665	\$11,894

Real Estate Equity and Real Estate Debt

(16.6% of all invested assets as of 6/30/19)

As of June 30, 2019, existing MWBE asset manager relationships include Adelante Capital Management, managing \$422 million in public market securities in Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs); Artemis Real Estate Partners, managing \$33.6 million (\$300 million in commitments) in three value-add real estate funds; Capri Capital Partners, managing \$0.09 million in structured real estate debt; GreenOak Real Estate, managing \$9.3 million in one opportunistic real estate fund; Grosvenor Capital Management, managing \$194.6 million (\$650 million in commitments) in five separate accounts (three equity, two debt) that target a portfolio of fund, direct and co-investments sponsored by emerging managers including MWBE managers; and Raith Capital Partners, managing \$24.3 million in a separate account focused on public and private real estate debt investments.

Emerging Manager Partner	MWBE Status	Market Value
Adelante Capital Management	Hispanic/Asian-American/Women	\$421,965,206
Artemis Capital Partners	Women	\$34,895,588
Capri Capital Partners	African-American/Women/Asian	\$86,996
GreenOak Real Estate	Asian-American/Women	\$9,087,238
Grosvenor Capital Management	Hispanic/Asian-American/African-American/Women	\$200,752,456
Raith Capital Partners	Asian-American/Women/Hispanic	\$24,311,409
Total		\$691,098,893

Private Equity and Private Debt

(8.3% of all invested assets as of 6/30/19)

NYSTRS' investments in private equity and private debt are managed externally. In line with its fiduciary obligations to members, retirees and beneficiaries, NYSTRS targets top quartile performance funds for investment.

As of June 30, 2019, private equity and private debt investments accounted for approximately \$24.3 billion in committed capital. Of this total, the System has committed approximately \$2.7 billion across 34 funds which are managed by 16 minority- and women-owned firms. During the fiscal year ended June 30, 2019, NYSTRS closed on two MWBE qualified commitments, totaling \$300 million.

NYSTRS has a \$100 million commitment to The First Capital Access Fund, a separate account established with HarbourVest Horizon. The mandate of the account is to make commitments to MWBE qualified managers with fund sizes of \$500 million or less. To date, The First Capital Access Fund is fully committed with 10 commitments totaling \$101 million (inclusive of the general partner commitments). Going forward, NYSTRS' private equity staff will make direct commitments to MWBE qualified funds instead of utilizing a third-party, separately managed account.

2019 MWBE Investments and Professional Services Conference

The Retirement System held its ninth annual MWBE Investments and Professional Services Conference, entitled “Expanding Access, Increasing Opportunities,” on Feb. 14, 2019. Over 250 professionals attended the event at System offices in Albany.

The conference provided a forum for potential asset managers and brokers, and professional and financial service providers, to become acquainted with the Retirement System. Attendees learned about NYSTRS’ portfolio and investment needs while also gaining greater insight into the abilities and qualifications the System expects of its business partners.

NYSTRS Executive Director & Chief Investment Officer Thomas K. Lee opened the conference with a welcome address during which he conducted an interactive poll to gauge the audience’s knowledge of NYSTRS’ funding, membership and investments. Dana Telsey, chief executive officer and chief research officer of Telsey Advisory Group, was the keynote speaker.

NYSTRS offered workshops related to: fixed income; private equity; professional services in the areas of financial, legal and real estate; public equities (asset managers and brokers); and real estate. The two-hour workshops were led by NYSTRS’ managing directors and current managers/partners in each asset class and professional service. The participants were also given the opportunity to network with the System’s investment, professional services and senior staff.

In keeping with past practice, NYSTRS coordinated its conference with the Office of the State Comptroller’s annual Emerging Managers event, which was held Feb. 15, 2019. This date coincided with the annual conference of the New York State Black, Puerto Rican, Hispanic and Asian Legislative Caucus held over that weekend in Albany.

The MWBE Conference agenda is included in this report as Appendix A.

Furthering NYSTRS' MWBE Strategy

In support of NYSTRS' commitment to expanding access and increasing opportunities for MWBE firms, the System continues to provide opportunities to the growing pool of MWBE managers, both through outreach efforts and the pursuit of MWBE guidelines – each of which contributes to NYSTRS' success as one of the largest public pension funds in the country.

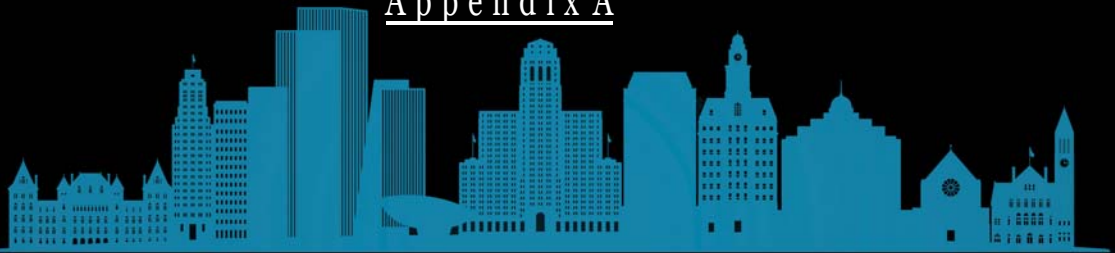
This effort aligns with NYSTRS' focus on prudent diversification of investments across a broad spectrum of asset classes and its ongoing search for sound investment opportunities that will contribute to the stability of the portfolio.

The System continues to work with the other fiduciary-controlled entities, the Common Retirement Fund under the sole trusteeship of the Office of the State Comptroller and the New York State Insurance Fund, to review the certification recommendations of business enterprises certified as MWBEs.

Further, NYSTRS will make more opportunities available to MWBE firms when it hosts its 10th annual MWBE conference in February 2020. The conference is a gateway for MWBE firms to gain knowledge about NYSTRS and to be introduced to the System as it continues to seek investment managers and service providers to further enhance its MWBE strategy. NYSTRS looks forward to providing event attendees with the opportunity to visit the System's offices, learn about its investment philosophy, and to network with its managing directors and investments and professional staff.



Appendix A



MWBE Investments & Professional Services Conference

9th ANNUAL CONFERENCE

EXPANDING ACCESS, INCREASING OPPORTUNITIES

Thursday, February 14, 2019

9:30 a.m. – 11:00 a.m.

Registration
Continental Breakfast

11:00 a.m. – 12:15 p.m.

Welcome and Opening Remarks

Yiselle Rodriguez Ruoso

Senior Managing Counsel, Benefits & Legislation, NYSTRS
MWBE Steering Committee Chair

Thomas K. Lee

Executive Director & Chief Investment Officer, NYSTRS

Keynote Address

Dana Telsey

Chief Executive Officer and Chief Research Officer, Telsey Advisory Group

12:15 p.m. – 1:15 p.m.

Lunch and Networking with Colleagues and NYSTRS Staff

1:15 p.m. – 1:30 p.m.

Break/Transition to Workshops

1:30 p.m. – 3:30 p.m.

Conference Workshops

Fixed Income
Private Equity
Professional Services – Financial
Professional Services – Legal
Professional Services – Real Estate
Public Equities (Asset Managers & Brokers)
Real Estate

Executive Board Room
Board Room
Video Conferencing Room
Legal Conference Room
Executive Conference Room
Auditorium
Executive Conference Room

3:30 p.m. – 4:00 p.m.

Networking

Continue your conversations with colleagues and NYSTRS staff.

Appendix B

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES ("MWBE") ASSET MANAGEMENT AND FINANCIAL INSTITUTION GUIDELINES FOR CERTIFICATION, REPORTING AND COOPERATION WITH OTHER FIDUCIARY-CONTROLLED ENTITIES

- I. **PURPOSE.** In accordance with subdivisions 4, 5, 6, 7, 8 and 9 of section 176 of the Retirement and Social Security Law and section 508-a of the Education Law, the Retirement Board, acting as trustees of the New York State Teachers' Retirement System ("NYSTRS"), establishes these guidelines for the purpose of increasing the utilization of MWBE Asset Managers, MWBE Financial Institutions and MWBE Financial and Professional Service Firms.

These guidelines shall be implemented in accordance with, and subject to, the Retirement Board's fiduciary duties and obligations as trustees of NYSTRS to the members, retirees and beneficiaries of NYSTRS and in accordance with, and subject to, such other investment limitations as may be prescribed by the Education Law, the Retirement and Social Security Law and any other law or rule as may be applicable, including but not limited to the regulations of the Commissioner of Insurance.

These guidelines shall relate to the following activities:

- A. Contracting with MWBE Asset Managers to invest assets of NYSTRS;
- B. Subject to Best Execution:
 - 1. Conducting trades of public equity securities with MWBE Financial Institutions; and
 - 2. Conducting trades of fixed-income securities with MWBE Financial Institutions;
- C. Allocating investments of assets of NYSTRS either:
 - 1. Directly through investments in the equities and debt securities of MWBEs; or
 - 2. Indirectly through programs involving MWBE Asset Managers; and
- D. Awarding contracts for accounting, banking, financial advisory, insurance, legal, research, valuation and other financial and professional services to MWBE Financial Institutions and other MWBE Professional Service Firms.

II. DEFINITIONS. For the purposes of these guidelines, the following terms are defined as follows:

- A. The terms “Asset Manager” and “Asset Management” shall mean the person, or activity by such person, who provides a comprehensive and structured approach to short-term and long-term management of funds of NYSTRS.
- B. The term “Best Execution” shall refer to the obligation of Broker or Broker Dealer to ensure the optimal mix of price improvement (getting a better price than is currently quoted), speed and likelihood of execution.
- C. The terms “Broker” and “Broker Dealer” shall mean an individual or firm, registered in accord with state or federal law, who acts as an intermediary between a buyer and seller.
- D. The term “Business Enterprise” may include, without limitation:
 - 1. A sole proprietorship;
 - 2. A partnership;
 - 3. A limited partnership;
 - 4. A limited liability partnership;
 - 5. A limited liability company;
 - 6. A corporation; or
 - 7. Another similar entity whether domestic or foreign.
- E. The term "MWBE Asset Manager" may include, without limitation:
 - 1. An Asset Manager in any of the following asset classes:
 - a. Public Equity or Fixed Income Securities;
 - b. Hedge Funds;
 - c. Fund of Hedge Funds;
 - d. Private Equity (including Venture Capital);
 - e. Fund of Private Equity funds;
 - f. Real estate investment funds;
 - g. Fund of real estate funds; or

- b. In which such minority or women ownership or operation has and exercises the authority to control independently the day-to-day business decisions of the enterprise;
- c. Authorized to do business in this State; and
- d. Certified in a manner consistent with subdivision 3 of section 423-c of the Retirement and Social Security Law.

H. The term “Financial and Professional Services” shall include, but not be limited to:

1. Banking;
2. Financial Advisory;
3. Financial Research;
4. Insurance;
5. Law; and
6. Valuation.

I. The term "MWBE Financial Institution" shall mean:

1. As it relates to brokerage services, a Broker or Broker Dealer that is an MWBE certified in a manner consistent with subdivision 3 of section 423-c of the Retirement and Social Security Law; and
2. As it relates to any other financial services, a Business Enterprise that is an MWBE certified in a manner consistent with subdivision 3 of section 423-c of the Retirement and Social Security Law that provides banking, financial advisory, insurance, financial research, valuation or other financial services.

J. The term “Other Fiduciary-Controlled Entities” shall mean:

1. The New York State Common Retirement Fund;
2. The New York State Insurance Fund; and
3. The New York State Deferred Compensation Plan.

III. CERTIFICATION. The Retirement Board hereby establishes and adopts the following certification process for the purpose of identifying and reporting on MWBE firms providing asset management, brokerage or other financial or professional services with or for NYSTRS:

A. Business Enterprises providing asset management, brokerage or other financial or professional services with or for NYSTRS shall be invited to provide the following information:

1. A copy of financial form(s), if any, filed with the federal Securities and Exchange Commission, including, but not limited to, the uniform application for investment advisor registration (ADV) and the uniform application for broker-dealer registration (BD);
2. A copy of application forms and supporting documentation, if any, filed with the Division of Minority and Women-Owned Business Development (“DMWBD”) within the New York State Department of Economic Development and any subsequent certification issued by DMWBD of MWBE status;
3. A copy of any form(s) filed with any other state or federal entity for the purpose of seeking certification by such entity as an MWBE, along with any certification issued by such governmental entity of MWBE status, if any;
4. Any registration form as the Retirement Board or the Executive Director of NYSTRS, within his or her discretion, may require; and
5. Such other information as any such Business Enterprise may deem relevant to or of assistance in determining whether such Business Enterprise is an MWBE within the meaning of these guidelines.

B. Additionally, Business Enterprises providing asset management, brokerage or other financial or professional services with or for NYSTRS are invited to provide the Retirement Board, the following information relating to any position (held by an owner, officer, manager or employee of the Business Enterprise) that the Retirement Board or the Executive Director of NYSTRS, within his or her discretion, may determine necessary, including, but not limited to, with respect to any managing director, managing principal, principal, operating principal, chief financial officer, operating vice-president, vice-president, partner and owner, or equivalent positions, for the accurate identification of a Business Enterprise as an MWBE:

1. 51%-Owned by Minority Group Members or by Women:
 - a. Title;
 - b. Position;
 - c. Ownership percentage;
 - d. History of ownership;
 - e. History of ownership percentage;
 - f. Ethnicity;
 - g. Gender; and

h. Length of service.

2. MWBEs Substantially Owned or Operated by Minorities or Women:

- a. Title;
- b. Position;
- c. Ownership percentage;
- d. History of ownership;
- e. History of ownership percentage;
- f. Ethnicity;
- g. Gender;
- h. Length of service; and
- i. The role of individual employees and whether such individual will be performing services with or for NYSTRS and if so, to what extent such performance will occur.

C. Documentation. All information and documentation shall be provided on a form developed by NYSTRS and, pursuant to these guidelines, shall be certified as to accuracy by an Owner or Officer of the Business Enterprise, authorized by the business to make the representations contained thereon. If a Business Enterprise seeks confidential treatment of proprietary business information, such information must be clearly labeled as confidential, and denial of release thereof will occur in accordance with and to the extent permitted by applicable law. The Retirement Board or the Executive Director of NYSTRS, or their designees, may make such inquiries as he, she or they may deem appropriate to determine the accuracy of the information provided, including, but not limited to, in his, her or their discretion, field visits and/or other means of substantiation.

D. Certification of MWBE status. Separate determinations of MWBE status shall be made for Business Enterprises pursuant to subdivisions 1 and 2 of this Paragraph.

1. In determining that a Business Enterprise is at least fifty-one percent owned by one or more minority group members, or at least fifty-one percent owned by one or more women, NYSTRS may rely on bona-fide determinations of state or federal government entities or of the Other Fiduciary-Controlled Entities, or on certified filings with the Federal Securities and Exchange Commission, in addition to the responses submitted by the Business Enterprise.
2. In determining that a Business Enterprise is substantially owned and/or operated by women or minority group members, these guidelines interpret the term “substantially” as meaning at least thirty-three percent (ownership and/or operation). The thirty-three percent shall include at least twenty-five percent ownership by women or minority group members. Each individual counted in determining percentage of ownership or operation may only be counted once (e.g., an owner who is also a senior manager may not be counted as both).

- E. Decertification. Any Business Enterprise previously certified as an MWBE which no longer meets the applicable certification criteria shall be decertified. All Business Enterprises certified as MWBEs must promptly inform the Retirement Board or the Executive Director of NYSTRS, or his or her designee, of any changes in ownership, management and/or control that could impact the entity's MWBE certification.
- F. Documentation of determination. In all cases, NYSTRS shall maintain a written record of the reason(s) for its determination and subsequent certification or decertification of an entity's MWBE status.
- G. Finality of determination. All determinations relating to MWBE status made under these guidelines are made solely for the purposes of identification and reporting and for no other purpose. All determinations shall be final and not appealable. However, any Business Enterprise that believes it should be certified as an MWBE is welcome to submit information demonstrating that it is eligible for certification as an MWBE.
- H. Submission of false information. Any individual who submits false information on behalf of a Business Enterprise, and/or any Business Enterprise that submits false information, may be barred from doing business with NYSTRS for a period of time based on the nature and extent of the false information. False submissions shall also be reported to appropriate law enforcement entities.

IV. REPORTING. Within 60 days of the end of each fiscal year commencing with the July 1, 2010-June 30, 2011 fiscal year, NYSTRS shall report to the Governor, Legislature and the Chief Diversity Officer of the State of New York on the participation of MWBE firms providing asset management, brokerage or other financial or professional services for NYSTRS.

A. Such Report shall include:

1. A comparative analysis of such activity relative to such activity with all asset managers, financial institutions and professional service providers for the relevant period; and
2. The progress and success of the efforts undertaken during the plan fiscal year in pursuit of these guidelines.

B. Such Report shall be simultaneously published on the NYSTRS website for not less than 60 days following its release to the Governor, Legislature and the Chief Diversity Officer of the State of New York.

C. Such Report shall separately document the utilization of:

1. Entities that are at least fifty-one percent owned by one or more minority group members or at least fifty-one percent owned by one or more women; and

2. Entities that are substantially owned and/or operated by women or minority group members.

V. COOPERATION WITH OTHER FIDUCIARY-CONTROLLED ENTITIES.

In implementing these guidelines, NYSTRS may, in its discretion, utilize or participate in any MWBE certification process established by any Other Fiduciary-Controlled Entity for the purpose of identifying and reporting on MWBE firms providing Asset Management, Brokerage, or other Financial or Professional Services.

- A. NYSTRS shall work with the Other Fiduciary-Controlled Entities to create a Database of Business Enterprises certified as MWBEs pursuant to or in a manner consistent with subdivision 3 of section 423-c of the Retirement and Social Security Law.
- B. In addition to such advertising as NYSTRS shall implement so that MWBE Asset Managers, MWBE Financial Institutions and other MWBE Professional Service Firms are made aware of the opportunities with NYSTRS, NYSTRS shall periodically, but not less than annually, hold a conference to promote the utilization of MWBE Asset Managers, MWBE Financial Institutions and MWBE Financial and Professional Service Firms. Such conference shall be scheduled and coordinated to the extent reasonably practicable with Other Fiduciary-Controlled Entities.
- C. NYSTRS shall meet periodically with the Other Fiduciary-Controlled Entities to discuss best practices and to consider such changes to these guidelines as may be appropriate or advisable.

New York State Teachers' Retirement System
Published September 1, 2019
Updated December 11, 2019

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