MWBE
MINORITY- AND WOMEN-OWNED BUSINESS ENTERPRISES

ASSET MANAGEMENT AND FINANCIAL INSTITUTION STRATEGY REPORT
2015-2016 Fiscal Year

Submitted: September 1, 2016
Updated: November 1, 2016

New York State Teachers’ Retirement System
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Financial Highlights (Final)

All figures as of June 30, 2016

- Total assets under management*: $105,143,302,025
- Total assets internally managed: $65,908,651,344 (63%)
- Total assets externally managed – active: $24,924,859,455 (24%)
- Total assets externally managed – passive: $14,309,791,226 (13%)
- Total MWBE assets under external management**: $2,810,412,154 (7.16%)
- Total fees paid to external firms: $244,409,869
- Total fees paid to MWBE firms: $23,486,341 (9.61%)

MWBE Assets under External Management (by Asset Class)
(As a percentage of externally managed)**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Market Value</th>
<th>Percent of Externally Managed**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$1,083,628,800</td>
<td>2.76%</td>
</tr>
<tr>
<td>Public Equities</td>
<td>$1,267,807,420</td>
<td>3.23%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$458,975,934</td>
<td>1.17%</td>
</tr>
</tbody>
</table>

Breakdown of Private Equity Committed Capital

<table>
<thead>
<tr>
<th># of Firms</th>
<th>Committed Capital</th>
<th>Percent of Committed Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Firms</td>
<td>$18,963,130,125</td>
<td>100.00%</td>
</tr>
<tr>
<td>MWBE Firms</td>
<td>$1,811,611,390</td>
<td>9.55%</td>
</tr>
</tbody>
</table>

Breakdown of Fees by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Asset Management</th>
<th>Financial Institutions***</th>
<th>Professional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fees Paid to All Firms</td>
<td>$239,411,673</td>
<td>$4,039,210</td>
<td>$958,985</td>
</tr>
<tr>
<td>Total Fees Paid to MWBE Firms</td>
<td>$23,121,241</td>
<td>$365,100</td>
<td>$0</td>
</tr>
<tr>
<td>Percent of Fees Paid to MWBE Firms</td>
<td>9.66%</td>
<td>9.04%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

* System net assets as of June 30, 2016 are $107.5 billion, which include assets under management ($105.1 billion), other assets, and liabilities.

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

***Includes estimated fixed income commissions.
**Introduction**

**System Overview**

The New York State Teachers’ Retirement System ("NYSTRS" or the "System") administers the fund from which the State’s public school teachers and administrators (excluding those in New York City) receive retirement benefits, as well as death and disability coverage. NYSTRS is the second-largest public retirement system in New York and one of the largest systems in the nation. It is among the country’s best funded plans.

A 10-member Board of Trustees representing various constituents manages the System. By law, the Board's composition is as follows:

- Three teacher members are elected from the membership, one each year, by delegates at an annual meeting held in the fall.
- One NYSTRS retiree is elected by a mail vote of all retired members.
- Two school administrators are appointed by the Commissioner of the State Education Department.
- Two present or former school board members, experienced in the fields of finance and investment, are elected by the Board of Regents from recommendations of the New York State School Boards Association. At least one 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 designee.

Board members are elected/appointed to three-year terms (except the Comptroller or his designee) and serve without compensation.

The current composition of the Board is as follows:

<table>
<thead>
<tr>
<th>Retirement Board Trustees (as of 9/1/2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>David P. Keefe</strong></td>
</tr>
<tr>
<td>President</td>
</tr>
<tr>
<td><strong>Jolene T. DiBrango</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Paul J. Farfaglia</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Stephen P. Feehan</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Dr. Phyllis S. Harrington</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Members of the NYSTRS Board are responsible as fiduciaries to protect the long-term value of the System's investment portfolio and provide benefit security for NYSTRS members, retirees 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.

As of June 30, 2016, System net assets totaled $107.5 billion, with total assets under management of nearly $105.1 billion. During the fiscal year ended June 30, 2016, the System’s annual benefit payroll for its more than 161,000 retirees and beneficiaries was approximately $6.6 billion. About 80% of this total, or over $5.3 billion, is paid to retired members and beneficiaries living in New York State. These payments serve as an important economic stimulus.

The benefits provided by the System are funded by the annual contributions of participating employers and active members, as well as the investment earnings on those contributions. Over the past 20 years, investment returns have accounted for 84% of all NYSTRS income.

Both internal and external checks and balances exist to ensure complete and transparent adherence to all applicable laws, regulations and accounting requirements. Financial information and internal controls are subject to regular audit by the New York State Department of Financial Services and the System’s Internal Audit Department. KPMG LLP, an independent certified public accounting firm, audits the System’s financial statements annually. The System consistently receives favorable audit opinions.

**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 allocation of assets within the portfolio, as well as the fund's overall structure, are continuously reviewed and adjusted to achieve these goals.

NYSTRS is committed to a disciplined, risk-controlled investment approach that focuses on thoughtful diversification of assets across a broad spectrum of capital market segments. Assets are invested in order to maximize investment income while limiting risk. This approach has served members and the State’s taxpayers well.

Approximately 63% 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 the assets managed.

NYSTRS invests the System's funds in several diverse classes of assets, including equities, bonds and real estate. This diversification 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 their 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
- Domestic fixed income
- Global bonds
- Real estate
- Private equity
Chapter 171 of the Laws of 2010 authorizes NYSTRS, along with the Common Retirement Fund under the sole trusteeship of the State Comptroller, the State Insurance Fund, and the State Deferred Compensation Plan, to implement a strategy to encourage greater utilization of the services of minority- and women-owned business enterprises (“MWBEs”). Any actions taken by NYSTRS must be consistent with its overriding fiduciary responsibilities to NYSTRS members, retirees and beneficiaries.

Among other things, Chapter 171 authorizes NYSTRS to:

- Periodically advertise the existence of the MWBE strategy and make MWBEs aware of possible opportunities to conduct business with NYSTRS.

- Make a report to the Governor, Legislature and the State Chief Diversity Officer on MWBE provision of services to NYSTRS within 60 days after the close of NYSTRS’ fiscal year.

- Work with the State Comptroller, State Insurance Fund and the State Deferred Compensation Plan in creating a database of MWBEs utilized by the respective parties.

- Hold an annual conference promoting the strategy in conjunction with the State Comptroller, State Insurance Fund and the State Deferred Compensation Plan.
The System’s sixth annual MWBE Conference entitled “Expanding Access, Increasing Opportunities” was held February 11, 2016. The goal was to introduce minority and women-owned business enterprise investment managers, brokers and professional services providers to NYSTRS and its investment and professional staff. The sessions focused on: fixed income; public equities (asset managers and brokers); private equity; real estate/real estate services; and professional service providers. Participants left with a greater understanding of the System's portfolio and investment needs, as well as the abilities and qualifications expected of NYSTRS managers, brokers, and professional service providers.

Planning

In October 2015 NYSTRS’ MWBE Steering Committee began the process of planning the sixth conference. Feedback from the previous five conferences provided NYSTRS’ Steering Committee with a sound basis for planning a sixth successful conference.

Consistent with the previous conferences, NYSTRS coordinated the MWBE conference with the Office of the State Comptroller’s (“OSC”) annual emerging managers’ event, which was held on Friday, February 12, 2016. This date coincided with the weekend of the annual conference of the New York State Black, Puerto Rican, Hispanic, and Asian Legislative Caucus.

Outreach

A “save the date” notice was posted on NYSTRS’ website in December 2015. This outreach was initiated in conjunction with notices sent to individuals within the NYSTRS database (1,096 contacts), which was initially established in 2010 with 220 contacts.

Notice was also sent to the following professional organizations:

- National Association of Investment Companies (NAIC)
- National Association of Investment Professionals (NAIP)
- Council of Urban Professionals (CUP)
- Association of Asian American Investment Managers (AAAIM)
- Real Estate Executive Council (REEC)

Conference Registration

Registration for NYSTRS’ February 2016 MWBE conference began on January 4, 2016. On this date, an email was sent to the 1,096 contacts announcing the start of online registration. Word of our conference spread as the System received numerous inquiries about the event from individuals not contained in our initial database.

In all, 262 individuals registered online for NYSTRS’ conference, with registrant interest broken down by asset class as follows:

- Public Equities (Asset Managers): 90 Registered (69 Attendees)
- Public Equities (Brokers): 35 Registered (27 Attendees)
- Private Equity: 59 Registered (38 Attendees)
- Fixed Income: 40 Registered (25 Attendees)
- Real Estate: 20 Registered (15 Attendees)
- Professional Services: 18 Registered (13 Attendees)

Actual attendance reached a total of 195 people, including eight on-site registrations.
Conference Format

The full day included a brief plenary session and a panel discussion with Peter Braffman Managing Director, GCM Grosvenor, Matt HoganBruen, Managing Director, HarbourVest Horizon, Chris Riley, Associate Partner, Head of Equity Manager Research, Aon Hewitt Investment Consulting, and Tina Byles Williams, Portfolio Manager, Global Equities, Chief Investment Officer, Chief Executive Officer, FIS Group, Inc. participating. The System offered six workshops related to fixed income, public equities (asset managers and brokers), private equity, real estate/real estate services, legal services, and professional service providers. These two-hour workshops were led by NYSTRS’ managing directors and current managers/partners in each asset class and professional service. In general, this format provided additional opportunity for participants to interact across asset classes and professional services, as well as with senior staff.

A conference agenda is attached to this report as Appendix A.

Conference Survey

As done previously, an online, post-conference survey was sent to all attendees and a total of 60 (31%) responses were received. Questions pertaining to conference organization, plenary session speakers, NYSTRS’ staff, and workshop presentations were asked. The responses received were overwhelmingly favorable, consistent with previous conference evaluations. Eighty-five percent of the respondents rated their conference experience as excellent. Additionally, 49% of the respondents were returning participants.
Advancement of MWBE Goals

MWBE Certification

In accordance with the New York statutory provisions and the NYSTRS MWBE Asset Management and Financial Institution Guidelines (“NYSTRS MWBE Guidelines”), NYSTRS certifies firms for reporting purposes who qualify as a traditional MWBE and firms who qualify as substantially owned and/or operated. A traditional MWBE is at least fifty-one percent owned by one or more minority group members, and/or by one or more women. A substantially owned and/or operated firm includes firms with at least thirty-three percent ownership and/or operation and of that thirty-three percent have at least twenty-five percent ownership by women or minority group members. Under substantially owned and/or operated, each individual counted in determining percentage of ownership or operation is counted once.

NYSTRS, in cooperation with the Office of the State Comptroller (“OSC”) and the New York State Insurance Fund (“SIF”), have retained Altura Capital Group (“Altura”), a New York State based MWBE, to survey and certify asset managers, financial institutions, and financial and professional service providers to determine which firms qualify as MWBEs. NYSTRS, in concert with OSC and SIF, continued to work collaboratively on establishing MWBE certifications in which each entity invests.

NYSTRS has an ongoing process to conduct an MWBE certification review of firms doing business with NYSTRS for the relevant fiscal year. Consistent with NYSTRS MWBE Guidelines, NYSTRS staff worked with OSC to update the certification survey provided to firms for the purposes of outreach in the past fiscal year (July 1, 2015-June 30, 2016). Altura then provided the survey to asset management firms, brokers and professional service providers with whom NYSTRS currently has a business relationship and continued all necessary steps for the recertification process. In the fall of 2015, the System worked with Altura to certify 141 firms and 140 firms completed surveys (99% response rate).

Altura continues to make recommendations to NYSTRS for the certification of the MWBE firms providing investment-related functions as per the NYSTRS’ MWBE Guidelines and assess the data provided in response to the surveys. NYSTRS is currently in the process of certifying any new business relationships developed within the fiscal year ending June 30, 2016.

Pursuit of MWBE Guidelines

In October 2015, several members of the NYSTRS team attended the New York State MWBE Forum at the Empire State Plaza Convention Center and, for the fourth time, participated as a Government Exhibitor during the two-day forum. This enabled staff to share information about NYSTRS with attendees and also promote the System’s MWBE advancement strategy.

In this past fiscal year, NYSTRS’ Executive Director and Chief Investment Officer Thomas Lee provided the Opening Keynote Address at the Association for Asian American Investment Managers’ (AAAIM) National Conference and was a panelist at the National Association of Securities Professionals (NASP) Emerging Manager Conference.

NYSTRS’ Managing Director of Private Equity Gerald Yahoudy attended the ConsortiumEAST forum, participated in one-on-one meetings with attendees and hosted a roundtable at the forum. In addition, a member of the NYSTRS Private Equity team participated in the Sponsors for Educational Opportunity (SEO) Alternative Investment Conference in New York City.
MWBE Participation by Asset Class

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

Domestic and International Equities (55.6% of all invested assets at 6/30/16)

External Portfolio Management

Progress Investment Management Company (“Progress”), Leading Edge Investment Advisors (“Leading Edge”), and FIS Group (“FIS”) are MWBE firms serving as managers-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 NYSTRS, including investments in developed and emerging markets. Existing contracts with Progress, Leading Edge and FIS were renewed during the period. Each of these programs includes a number of MWBE sub-managers. Additional details are summarized in the following table and manager list.

<table>
<thead>
<tr>
<th>Emerging Manager Partner</th>
<th>MWBE Status</th>
<th>Program Type</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIS Group</td>
<td>African–American</td>
<td>International Equity Manager of Managers</td>
<td>$101,696,793</td>
</tr>
<tr>
<td></td>
<td>Asian/Pacific Islander</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leading Edge Investment Advisors</td>
<td>Asian-American</td>
<td>Domestic Equity Manager of Managers</td>
<td>$420,282,632</td>
</tr>
<tr>
<td>Progress Investment Management Co.</td>
<td>African-American</td>
<td>Domestic Equity Manager of Managers</td>
<td>$745,827,995</td>
</tr>
<tr>
<td></td>
<td>Women/Asian</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$1,267,807,420</td>
</tr>
</tbody>
</table>

The MWBE sub-managers, within their portfolios, include the following:

- Affinity Investment Advisors
- Apex Capital Management
- Ativo Capital Management
- Blackcrane Capital
- Cheswold Lane Asset Management
- Denali Advisors
- Hanoverian Capital
- Herndon Capital Management
- High Pointe Capital Management
- Holland Capital Management
- Lombardia Capital Partners
- Mar Vista Investment Partners
- Martin Investment Management
- Matarin Capital Management
- Nicholas Investment Partners
- Nichols Asset Management
- OakBrook Investments
- Phocas Financial Corporation
- Profit Investment Management
- Redwood Investments
- Stoneridge Investment
Brokers

During the fiscal period, NYSTRS continued to add MWBE firms to its approved list of brokers. Currently, 25 of 40 approved brokers are MWBE certified, including three MWBE additions in FY 2015-2016. During the fiscal period, $172,500 of a total of $570,600 commission dollars was paid to MWBE brokers. A comparison of the last two fiscal years follows.

New York State
Teachers’ Retirement System

Analysis of NYSTRS’ Domestic Equity Commissions
(Percent Paid to MWBE)

<table>
<thead>
<tr>
<th></th>
<th>7/1/15 – 6/30/16</th>
<th>7/1/14 – 6/30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Commissions (.000s)</td>
<td>$570</td>
<td>$530</td>
</tr>
<tr>
<td>Paid to MWBE (.000s)</td>
<td>$172</td>
<td>$135</td>
</tr>
<tr>
<td>Total MWBE/%</td>
<td>30.2%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Total # of Approved Brokers</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Total # of Approved MWBE Brokers</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>Total MWBE %</td>
<td>62.50%</td>
<td>48.33%</td>
</tr>
</tbody>
</table>

Approved MWBE Brokers and Year Approved:

Blaylock Beal Van, LLC, 2011
Bley Investment Group, Inc., 2011
Bonwick Capital, 2016
Cabrera Capital Markets LLC, 2011
CastleOak Securities, L.P., 2011
CAVU Securities, 2016
Cheevers & Co., Inc., 2011
CL King & Associates, 2011
CV Brokerage, 2015
The Fig Group, LLC 2012
Great Pacific Securities, 2016
Harvestons Securities 2014
Ivy Securities, Inc., 2011
Kota Global Securities, 2013
Loop Capital Markets, 2011
M Ramsey King Securities, 2012
Montrose Securities Int., 2012
North South Capital LLC, 2011
Penserra Securities LLC, 2012
Quoin Capital, 2012
Samuel A. Ramirez & Co, 2011
Siebert Brandford Shank, LLC, 2011
Sturdivant & Co., 2012
Telsey Advisory Group, 2011
Williams Capital Group, 2011

Note: NYSTRS’ approved broker list includes three brokers who are VBE (Veteran Business Enterprise) or DVBE (Disabled Veteran Business Enterprise) certified. They are Mischler Financial Group (DVBE, 2011), Drexel Hamilton (DVBE, 2014) and Vandham Securities (VBE, 2015).
Fixed Income (19.9% of all invested assets – includes internally managed short term bonds and long term bonds, plus externally managed global bonds, as of 6/30/16)

During NYSTRS’ 2015-16 fiscal year, Fixed Income staff continued to establish, develop and strengthen relationships with both new and existing MWBE fixed income counterparties. This was accomplished through outreach at NYSTRS’ 2016 MWBE conference as well as by regular interaction with MWBE counterparties of System internally managed short-term and long-term bond requirements. This communication helps MWBE firms expand their understanding of System objectives as it relates to fixed income and over the long term we expect System relationships with MWBE fixed income firms will continue to progress and activity to grow.

When compared to the prior fiscal year the System’s level of transaction activity with MWBE firms increased slightly and since the 2011 fiscal year the overall level of activity is 64.5% higher. NYSTRS’ relatively flat year-over-year transaction activity with MWBE firms was the result of an increase in short-term bond trading with these firms offset by a decline in long-term bond transactions. This was due to the decline of System participation in both the corporate bond primary market and agency primary market because of tight credit spreads and overall limited agency new issuance.

During the fiscal year, Fixed Income added one new relationship, one existing relationship was acquired by another existing relationship and there is currently one prospective MWBE Fixed Income counterparty undergoing NYSTRS’ due diligence review. Fixed Income continues to communicate NYSTRS’ objectives and areas of focus in the fixed income area while simultaneously building relationships with the MWBE firms listed below:

<table>
<thead>
<tr>
<th>Firm</th>
<th>MWBE Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blaylock Beal Van, LLC</td>
<td>African-American</td>
</tr>
<tr>
<td>Bonwick Capital Partners LLC++^</td>
<td>African-American</td>
</tr>
<tr>
<td>Cabrera Capital Markets LLC **</td>
<td>Hispanic</td>
</tr>
<tr>
<td>CL King &amp; Associates</td>
<td>Women</td>
</tr>
<tr>
<td>Castleoak Securities</td>
<td>African-American</td>
</tr>
<tr>
<td>Duncan Williams</td>
<td>Women</td>
</tr>
<tr>
<td>Great Pacific Securities</td>
<td>Hispanic</td>
</tr>
<tr>
<td>Guzman &amp; Company</td>
<td>Hispanic</td>
</tr>
<tr>
<td>Loop Capital Markets, LLC</td>
<td>African-American/Women</td>
</tr>
<tr>
<td>MFR Securities Inc</td>
<td>Women</td>
</tr>
<tr>
<td>Ramirez &amp; Company</td>
<td>Hispanic/Women</td>
</tr>
<tr>
<td>Siebert Branford Shank</td>
<td>African-American/Women</td>
</tr>
<tr>
<td>Toussaint Capital Partners^</td>
<td>African-American/Women</td>
</tr>
<tr>
<td>Williams Capital Group</td>
<td>African-American/Women</td>
</tr>
</tbody>
</table>

**New relationship established during the 2015-16 fiscal year
^ Inactive relationship during the 2015-16 fiscal year
+++ Hired the Rice Financial Products Co. taxable fixed income team during the 2015-16 fiscal year
As the following table illustrates, total estimated commissions paid to MWBE firms increased slightly as the internally managed short-term commissions increased while the long-term fixed income commissions decreased in the 2016 fiscal year when compared to the previous fiscal year.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Description</th>
<th>Short-term bonds</th>
<th>Long-term bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>Total Commissions – MWBE Firms</td>
<td>$104,517</td>
<td>$88,583</td>
</tr>
<tr>
<td>2014-15</td>
<td>Total Commissions – MWBE Firms</td>
<td>$91,483</td>
<td>$100,362</td>
</tr>
<tr>
<td>2013-14</td>
<td>Total Commissions – MWBE Firms</td>
<td>$133,614</td>
<td>$183,536</td>
</tr>
<tr>
<td>2012-13</td>
<td>Total Commissions – MWBE Firms</td>
<td>$141,139</td>
<td>$105,680</td>
</tr>
<tr>
<td>2011-12</td>
<td>Total Commissions – MWBE Firms</td>
<td>$151,097</td>
<td>$107,121</td>
</tr>
<tr>
<td>2010-11</td>
<td>Total Commissions – MWBE Firms</td>
<td>$66,209</td>
<td>$51,194</td>
</tr>
</tbody>
</table>

For the recently completed fiscal year, estimated commissions paid to MWBE firms represented 13.4% of all commissions paid in the short-term bond category and 3.5% of all commissions paid in the long-term bond category. This compares to the 2014-15 fiscal year when estimated commissions paid to MWBE firms represented 12.2% of all commissions paid in the short-term bond category and 3.9% of all commissions paid in the long-term bond category.

Additionally, the System has two Disabled Veteran firm relationships with the firms listed below and is currently performing diligence on one prospective Disabled Veteran firm:

- Drexel Hamilton LLC
- Mischler Financial Group

For the fiscal year ended 2016, Disabled Veteran firm estimated commissions represented 0.6% of short-term bond transaction activity and 0.7% of long-term bond activity. In comparison to the 2014-15 fiscal year this was similar, when estimated commissions from DVBE firms represented 0.6% of short-term bond transaction activity and 0.5% of long-term bond transaction activity.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Description</th>
<th>Short-term bonds</th>
<th>Long-term bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>Total Commissions – Disabled Veteran</td>
<td>$4,268</td>
<td>$16,861</td>
</tr>
<tr>
<td>2014-15</td>
<td>Total Commissions – Disabled Veteran</td>
<td>$4,665</td>
<td>$11,894</td>
</tr>
<tr>
<td>2013-14</td>
<td>Total Commissions – Disabled Veteran</td>
<td>$21,329</td>
<td>$12,404</td>
</tr>
</tbody>
</table>
Real Estate (including Mortgages) (16.9% of all invested assets as of 6/30/16)

As of June 30, 2016, existing MWBE asset manager relationships include Adelante Capital Management, managing $342.1 million in public market securities in Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs), Capri Capital Partners, managing $0.1 million in structured real estate debt, Artemis Real Estate Partners, managing $38.5 million ($100 million in commitments) in two value-add real estate funds, and Grosvenor Capital Management, managing $78.3 million ($300 million in commitments) in three separate accounts (two equity and one debt) that target a portfolio of fund, direct and co-investments sponsored by emerging managers including MWBE managers.

<table>
<thead>
<tr>
<th>Emerging Manager Partner</th>
<th>MWBE Status</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelante Capital Management</td>
<td>Hispanic/Asian-American/Women</td>
<td>$342,094,034</td>
</tr>
<tr>
<td>Capri Capital Partners</td>
<td>African-American Women/Asian</td>
<td>$111,677</td>
</tr>
<tr>
<td>Artemis Real Estate Partners</td>
<td>Women</td>
<td>$38,484,043</td>
</tr>
<tr>
<td>Grosvenor Capital Management</td>
<td>Hispanic/Asian-American/African American/Women</td>
<td>$78,286,180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$458,975,934</strong></td>
</tr>
</tbody>
</table>

Private Equity (7.6% of all invested assets as of 6/30/16)

NYSTRS’ investments in Private Equity are managed externally. In line with its fiduciary obligations to members, NYSTRS’ targets top quartile performance funds for investment.

As of June 30, 2016 private equity investments accounted for approximately $19 billion in committed capital. Of this total, the System has committed approximately $1.81 billion to 27 private equity funds which are managed by 11 minority and women-owned firms. During the fiscal year ended June 30, 2016, NYSTRS closed on three MWBE qualified commitments, totaling $250 million. Subsequent to the fiscal year ended June 30, 2016, NYSTRS has several opportunities in various stages of due diligence.

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 has closed on nine commitments totaling $90 million and has several more in advanced stages of due diligence.
Conclusion and Next Steps

NYSTRS worked closely with Altura Capital Group and the other fiduciary-controlled entities to review the Altura certification recommendations of business enterprises certified as MWBEs to support NYSTRS commitment to “expanding access and increasing opportunities.” We maintain our commitment 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 retirement systems in the nation. This effort is undertaken as NYSTRS continues to focus on prudent diversification of investments across a broad spectrum of capital market assets and to seek sound investment opportunities that will contribute to the stability of the portfolio.

NYSTRS will expand and enhance this initiative in the future convening the 7th Annual MWBE conference in February 2017. The conference is the gateway to gaining knowledge about NYSTRS and the introduction to the process for building a partnership as a consultant, vendor or asset manager. To that end, we look forward to providing participants with opportunities to meet with the System’s Executive Director & Chief Investment Officer, Managing Directors and investment and professional staff.
6th ANNUAL CONFERENCE FOR INVESTMENTS
AND PROFESSIONAL SERVICES
EXPANDING ACCESS, INCREASING OPPORTUNITIES

AGENDA - Thursday, February 11, 2016

9:30 a.m. – 11:00 a.m.  Registration
                        Continental Breakfast

11:00 a.m. – 11:30 a.m. Welcome and NYSTRS Overview
                        Thomas K. Lee, Executive Director & Chief Investment Officer

11:30 a.m. – 12:00 p.m. Lunch

12:00 p.m. – 12:45 p.m. Panel Presentation
                        Peter Braffman, J.D. – Managing Director, Grosvenor Capital Management
                        Matt HoganBruen – Managing Director, Bank of America Merrill Lynch – BAML Capital
                        Access Funds
                        Chris Riley – Associate Partner, Head of Equity Manager Research – Aon Hewitt
                        Investment Consulting
                        Tina Byles Williams – Portfolio Manager, Global Equities, Chief Investment Officer,
                        Chief Executive Officer – FIS Group, Inc.

12:45 p.m. – 1:00 p.m.  Break/Transition to Workshops

1:00 p.m. – 3:00 p.m.  Conference Workshops
                        • Public Equities (Asset Managers & Brokers)
                        • Fixed Income
                        • Private Equity
                        • Real Estate
                        • Professional Services – Real Estate
                        • Professional Services – Legal
                        • Professional Services – Financial
                        Auditorium
                        Executive Board Room
                        Board Room
                        Video Conferencing Room
                        Video Conferencing Room
                        Legal Conference Room
                        Executive Conference Room

3:00 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
h. Any other asset class for which NYSTRS might engage external asset managers; and

2. An Asset Manager that is:

a. An MWBE;

b. A registered Investment Advisor or an Investment Advisor exempt from such registration; and

c. Certified in a manner consistent with subdivision 3 of section 423-c of the Retirement and Social Security Law.

F. The term "Minority Group Member" shall mean a United States citizen or permanent resident alien who is and can demonstrate membership in one of the following groups:

1. Black persons having origins in any of the Black African racial groups;

2. Hispanic persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American of either Indian or Hispanic origin, regardless of race;

3. Native American or Alaskan native persons having origins in any of the original peoples of North America; or

4. Asian and Pacific Islander persons having origins in any of the Far East Countries, South East Asia, the Indian Subcontinent or the Pacific Islands.

G. The term "MWBE" for the purpose of engaging in business with NYSTRS shall mean:

1. A Business Enterprise:

a. That 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, who, in each case, have significant experience in asset management, brokerage, other financial services or related professional services such as accounting, valuation or legal services; or

b. That is substantially owned and/or operated by women or minority group members who have significant experience in asset management, brokerage, other financial services or related professional services such as accounting, valuation or legal services; and

2. A Business Enterprise:

a. In which such minority or women ownership or operation is real, substantial and continuing;
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


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


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.