Report of the New York State Deferred Compensation Board  
In compliance with the Board’s  
Minority and Women Owned Business Enterprise Policy  

For Plan Year 2016

The New York State Deferred Compensation Board (the “Board”) established a Minority and Women Owned Business Enterprise policy (the “MWBE Policy”), in accordance with subdivision 2 of Section 5 of the State Finance Law, to ensure the inclusion of MWBE Asset Managers and MWBE Financial and Professional Service Firms in requests for proposals (“RFPs”) or searches conducted by or on behalf of the Board with respect to the selection of service providers to the New York State Deferred Compensation Plan (the “Plan”).


The MWBE Policy is administered in accordance with, and subject to, the Board’s fiduciary duties and obligations to the participants and beneficiaries of the Plan and in accordance with, and subject to, such other investment limitations as may be prescribed by the Board’s Rules and Regulations (the “Rules”), the Internal Revenue Code of 1986, as amended, and any other law or rule as may be applicable.

The Board’s MWBE Policy relates to the procurement process for the selection of the following types of service providers for the Plan:

- Business Enterprises providing investment management services with respect to public equity or fixed income securities, or any other asset class for which the Board might engage external investment managers, with respect to assets in mutual funds or separate or commingled accounts that may be part of an investment option available to Plan participants and beneficiaries; and

- Business Enterprises providing administration and education, auditing, banking, financial advisory, insurance, legal, research, valuation and other financial and professional services to the Plan.

The Board conducted a total of seven Request for Proposals (“RFPs”) in 2016. Six RFPs pertained to the Investment Managers in the Plan and one RFP for the Plan’s Stable Value Structure Manager. The following is a report that outlines the efforts undertaken by the Board to ensure that MWBE business enterprises were included in the Board’s procurement process.
I. Investment Managers

The Plan offers several different investment options which participants may choose from. Due to contract expirations set for March 31, 2017, the plan conducted a total of six separate RFPs, all related to investment managers offering investment options in the Plan. Below is a summary of each Investment Manager RFP that was issued in 2016:

1. Target Date and Balanced Fund Management (issued March 30, 2016)
2. Active US Equity Management (issued May 6, 2016)
3. Passive US Equity Management (issued May 6, 2016)
4. Passive US Core Fixed Income (issued June 22, 2016)
5. Active US Core Plus Fixed Income (issued June 22, 2016)
6. Active Emerging Markets Equity Management (issued June 22, 2016)

Callan Associates, Inc., the Board’s investment consultant issued the Request for Proposals (RFP) on behalf of the Board on the dates indicated above. In an effort to ensure that all firms were aware of the RFPs, Callan advertised in Pension & Investment and FinDaily, two publications well known by investment managers. Additionally, Callan shared information about the RFP issuance on social media, specifically to firms that represent MWBE firms, such as NASP and New American Alliance. As standard procurement practice, the Board staff advertised this RFP in the New York State Contract Reporter as well as the New York State Register. All of these efforts resulted in two responses that included MWBE firms as subadvisors to the funds. In the Active US Equity Management area, EARNEST Partners responded as a subadvisor for Harbor Funds. For the Core Plus Fixed Income RFP, Garcia Hamilton responded as a subadvisor for American Beacon Advisors, Inc. In both instances, neither firm was selected as a result of these RFPs.

II. Stable Value Structure Manager

The Board’s contract for Stable Value Structure Manager was set to expire on 9/30/16. The Stable Value Structure Manager is tasked with the overall management of the Stable Value Fund. This includes providing investment advice to the Board regarding the Fund, assisting the Board in the analysis of Request for Proposals for fixed income managers, making recommendations regarding the investment managers and services to the Fund, recommending and implementing proper allocations of Fund assets between managers and among investment management duration strategies, the selection of wrap providers and to provide daily management of the Fund.
Callan Associates, Inc. the Board’s Investment Consultant issued an RFP for Stable Value Structure Manager on January 11, 2016.

Callan publicized the RFP in Pension & Investments and tweeted about the opportunity to MWBE affiliated firms. Additionally, Board staff advertised in the New York State Register and the New York State Contract Reporter.

The Board received six responses to the RFP by the February 22, 2016 deadline. None of the respondents were a MWBE firm.

**Current MWBEs Under Contract to the Plan**

The Plan has a contract with EARNEST Partners to manage a short duration portfolio in the Stable Income Fund. Approximately $426 million has been allocated to EARNEST Partners, which represents 6.2% of the assets of the Stable Income Fund.