

# STATE OF NEW YORK

631

2023-2024 Regular Sessions

## IN SENATE

January 5, 2023

Introduced by Sens. COMRIE, JACKSON, PARKER -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, the state finance law, the education law, and the workers' compensation law, in relation to the use of MWBE investments for New York state funds

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The retirement and social security law is amended by adding  
2 a new section 177-b to read as follows:

3 § 177-b. Use of MWBE asset management and financial institutions. 1.  
4 In addition to the powers contained in any other provision of law,  
5 including the provisions of the administrative code of the city of New  
6 York, it shall be the goal of public officials with investment making  
7 discretion and duties, including, but not limited to elected officials  
8 such as the state comptroller and the comptroller of the city of New  
9 York, appointed officials, the trustee or trustees of a fund, and state  
10 authority officials that, to the greatest extent feasible within the  
11 bounds of financial and fiduciary prudence, such public officials, trustee  
12 or trustees shall aspire to utilize MWBE asset managers, MWBE finan-  
13 cial institutions, and MWBE financial or professional service firms for  
14 the investment of no less than twenty percent of the total dollar amount  
15 of such fund under management, which shall include, but not be limited  
16 to, the following:

17 (a) investing assets of such fund with MWBE asset managers;

18 (b) subject to best execution: (i) conducting trades of public equity  
19 securities with MWBE financial institutions; and (ii) conducting trades  
20 of fixed-income securities through MWBE institutions;

21 (c) allocating investments of assets of such fund either through: (i)  
22 direct investments in the equities and debt securities of MWBEs; or (ii)  
23 indirectly through special programs involving MWBE asset managers; or

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 (d) awarding contracts for accounting, banking, financial advisory,  
2 insurance, legal, research, valuation, and other financial and profes-  
3 sional services to MWBE financial institutions and other MWBE profes-  
4 sional service firms.

5 2. The trustee or trustees of a fund shall be authorized to establish  
6 additional aspirational goals to the goals directed by subdivision one  
7 of this section.

8 3. Within sixty days of the end of each fiscal year following the  
9 effective date of this section, the trustee or trustees of a fund shall  
10 report to the governor, legislature, and chief diversity officer of the  
11 state of New York on the participation of MWBE asset managers, MWBE  
12 financial institutions, and MWBE professional service providers in  
13 investment and brokerage transactions with or as providers of services  
14 for such fund, including a comparative analysis of such activity rela-  
15 tive to such activity with all asset managers, financial institutions,  
16 and professional service providers for the relevant period, and on the  
17 progress and success of the efforts undertaken during such period to  
18 achieve the aspirational goals under subdivision one of this section to  
19 the greatest extent feasible within the bounds of financial and fiduci-  
20 ary prudence. Each report shall be simultaneously published on the  
21 website of such fund for not less than sixty days following its release  
22 to the governor and the other recipients named in this subdivision.

23 § 2. The retirement and social security law is amended by adding a new  
24 section 177-e to read as follows:

25 § 177-e. Required disclosures from consultants; MWBEs and businesses  
26 owned by persons with disabilities. 1. As used in this section, the term  
27 "disability" shall have the same meaning as defined by section two  
28 hundred ten of the economic development law.

29 2. No later than January first, two thousand twenty-four, and each  
30 January first thereafter, each consultant retained by the trustee or  
31 trustees of a fund shall disclose to the trustee or trustees of such  
32 fund the total number of searches for investment services made by such  
33 consultant in the previous calendar year including all such searches:

34 (a) that included (i) MWBE asset managers, (ii) MWBE financial  
35 institutions, (iii) MWBE financial or professional service firms, or  
36 (iv) any business enterprise at least fifty-one percent owned by indi-  
37 viduals with disabilities;

38 (b) in which the consultant recommended for selection (i) MWBE asset  
39 managers, (ii) MWBE financial institutions, (iii) MWBE financial or  
40 professional service firms, or (iv) any business enterprise at least  
41 fifty-one percent owned by individuals with disabilities; and

42 (c) that resulted in the selection of (i) MWBE asset managers, (ii)  
43 MWBE financial institutions, (iii) MWBE financial or professional  
44 service firms, or (iv) any business enterprise at least fifty-one  
45 percent owned by individuals with disabilities, including the total  
46 dollar amounts invested pursuant to such selection.

47 3. Beginning January first, two thousand twenty-four, no contract,  
48 oral or written, for consulting services shall be awarded by the trustee  
49 or trustees of a fund without first requiring the consultant to make the  
50 disclosures required under subdivision two of this section.

51 4. Such disclosure shall be considered by the trustee or trustees of a  
52 fund, within the bounds of financial and fiduciary prudence, prior to  
53 the awarding of an oral or written contract for consulting services.

54 § 3. The retirement and social security law is amended by adding a new  
55 section 177-f to read as follows:

1 § 177-f. Required disclosures from consultants; compensation and  
2 economic opportunity received. 1. For the purposes of this section, the  
3 following terms shall have the following meanings:

4 (a) "compensation" means any money, thing of value, or economic bene-  
5 fit conferred on, or received by, a consultant in return for services  
6 rendered, or to be rendered.

7 (b) "economic opportunity" means any purchase, sale, lease, contract,  
8 option, or other transaction or arrangement involving property or  
9 services wherein a consultant may gain an economic benefit.

10 2. No later than January first, two thousand twenty-four, and each  
11 January first succeeding such date, a consultant retained by the trustee  
12 or trustees of a fund shall disclose to the trustee or trustees of such  
13 fund all compensation and economic opportunity received in the prior  
14 twenty-four months from investment advisors retained by such trustee or  
15 trustees.

16 3. Beginning January first, two thousand twenty-four, a consultant  
17 shall disclose to the trustee or trustees of a fund any compensation or  
18 economic opportunity received in the prior twenty-four months from an  
19 investment advisor that is recommended for selection by such consultant.  
20 A consultant shall make this disclosure prior to the trustee or trustees  
21 of a fund selecting an investment advisor for appointment.

22 4. Beginning January first, two thousand twenty-four, no contract,  
23 oral or written, for consulting services shall be awarded by a trustee  
24 or trustees of a fund without first requiring the consultant to make the  
25 disclosures required by subdivision three of this section.

26 § 4. Section 8 of the state finance law is amended by adding two new  
27 subdivisions 21 and 22 to read as follows:

28 21. a. When procuring or authorizing the procurement of any goods and  
29 services, whether through a request for proposal or otherwise, be  
30 authorized to incorporate preferences in the scoring process for busi-  
31 nesses that:

32 (1) are a minority-owned business enterprise or a woman-owned business  
33 enterprise, as such terms are defined by section two hundred ten of the  
34 economic development law;

35 (2) are at least fifty-one percent owned by a veteran or veterans or a  
36 person or persons with a disability, as such terms are defined by  
37 section two hundred ten of the economic development law; or

38 (3) have a record of support for increasing diversity and inclusion in  
39 board membership, management, employment, philanthropy, and supplier  
40 diversity, including investment professionals and investment sourcing.

41 b. Beginning with the fiscal year two thousand twenty-four, and at  
42 least annually thereafter, report on his or her utilization of the busi-  
43 nesses described in paragraph a of this subdivision. Such report shall  
44 be published on the official website of the comptroller.

45 22. Review a financial institution's federal Community Reinvestment  
46 Act rating, record, and current level of financial commitment to the  
47 community when determining the eligibility of such financial institution  
48 to participate in a banking contract, investment contract, investment  
49 activity, or other financial program under the control or supervision of  
50 the comptroller.

51 § 5. Subdivision 1 of section 423-c of the retirement and social secu-  
52 rity law, as added by chapter 171 of the laws of 2010, is amended to  
53 read as follows:

54 1. Within the discretion of the state comptroller and in accordance  
55 with and subject to his or her fiduciary duties and obligations as trust-  
56 tee of the common retirement fund and to the members, retirees and bene-

1 ficiaries of such fund and such other investment limitations as may be  
2 prescribed by this chapter, the comptroller is authorized to establish  
3 an MWBE asset management and financial institution strategy [~~including~~  
4 consistent with and in addition to his or her obligations under section  
5 one hundred seventy-seven-b of this chapter, which shall include reason-  
6 able goals for utilization of MWBE asset managers, MWBE financial insti-  
7 tutions and MWBE financial and professional service firms, which strate-  
8 gy shall include, but shall not be limited to, the following objectives:

9 (a) investing assets of the common retirement fund with MWBE asset  
10 managers;

11 (b) subject to best execution: (i) conducting trades of public equity  
12 securities with MWBE financial institutions; and (ii) conducting trades  
13 of fixed-income securities through MWBE financial institutions;

14 (c) allocating investments of assets of the common retirement fund  
15 either through: (i) direct investments in the equities and debt securi-  
16 ties of MWBEs; or (ii) indirectly through special programs involving  
17 MWBE asset managers; and

18 (d) awarding contracts for accounting, banking, financial advisory,  
19 insurance, legal, research, valuation and other financial and profes-  
20 sional services to MWBE financial institutions and other MWBE profes-  
21 sional service firms.

22 § 6. Subdivision 1 of section 508-a of the education law, as added by  
23 chapter 171 of the laws of 2010, is amended to read as follows:

24 1. Within the discretion of the retirement board and in accordance  
25 with and subject to its fiduciary duties and obligations as trustees of  
26 the [~~teachers~~ teachers' retirement system and to the members, retirees  
27 and beneficiaries of such system and such other investment limitations  
28 as may be prescribed by this chapter, the retirement board is authorized  
29 to establish [~~an~~ an MWBE asset management and financial institution  
30 strategy pursuant to section four hundred twenty-three-c of the retire-  
31 ment and social security law [~~including~~ consistent with and in addition  
32 to his or her obligations under section one hundred seventy-seven-b of  
33 the retirement and social security law, which shall include reasonable  
34 goals for utilization of MWBE asset managers, MWBE financial insti-  
35 tutions and MWBE financial and professional services firms, as such  
36 terms are defined in section one hundred seventy-six of the retirement  
37 and social security law which strategy shall include, but shall not be  
38 limited to, the following objectives:

39 a. investing assets of the teachers' retirement system with MWBE asset  
40 managers;

41 b. subject to best execution, (1) conducting trades of public equity  
42 securities with MWBE financial institutions and (2) conducting trades of  
43 fixed-income securities through MWBE financial institutions;

44 c. allocating investments of assets of the [~~teacher's~~ teachers'  
45 retirement system either through (1) direct investments in the equities  
46 and debt securities of MWBEs or (2) indirectly through special programs  
47 involving MWBE asset managers; and

48 d. awarding contracts for accounting, banking, financial advisory,  
49 insurance, legal, research, valuation and other financial and profes-  
50 sional services to MWBE financial institutions and other MWBE profes-  
51 sional services firms.

52 As used in this section, the terms "MWBE asset manager", "MWBE finan-  
53 cial institutions", "MWBE", "[~~fiduciary-controlled~~ fiduciary-cont-  
54 rolled entities", and "best execution" shall have the meanings specified  
55 in section one hundred seventy-six of the retirement and social security  
56 law, and shall be certified in a manner consistent with the provisions

1 of subdivision three of section four hundred twenty-three-c of the  
2 retirement and social security law.

3 § 7. Paragraph c of subdivision 2 of section 5 of the state finance  
4 law, as added by chapter 171 of the laws of 2010, is amended to read as  
5 follows:

6 c. Within the discretion of the deferred compensation board and in  
7 accordance with and subject to its fiduciary duty and obligations to the  
8 deferred compensation plan for state employees and to the members and  
9 beneficiaries of such plan and such other investment limitations as may  
10 be prescribed by this chapter, the deferred compensation board is  
11 authorized to establish an MWBE asset management and financial institu-  
12 tion strategy [~~including~~] consistent with and in addition to his or her  
13 obligations under section one hundred seventy-seven-b of the retirement  
14 and social security law, which shall include reasonable goals for utili-  
15 zation of MWBE asset managers, MWBE financial institutions and MWBE  
16 professional service firms, which shall include, but shall not be limit-  
17 ed to, the following objectives:

18 (i) conducting procurement procedures in a manner that will assure the  
19 inclusion of MWBE asset managers in any request for proposal or search  
20 process for asset management services undertaken in accordance with the  
21 rules and regulations [~~and~~] of the board;

22 (ii) subject to best execution policies, developing a strategy to (1)  
23 conduct trades of public equity securities with MWBE financial insti-  
24 tutions and (2) conduct trades of fixed-income securities through MWBE  
25 financial institutions;

26 (iii) conducting procurement procedures in a manner that will assure  
27 the inclusion of MWBE financial institutions and other MWBE professional  
28 service firms in procurements for services that include accounting,  
29 banking, financial advisory, insurance, legal, research, valuation and  
30 other financial and professional services that are undertaken in accord-  
31 ance with the rules and regulations of the board;

32 (iv) cooperating with other fiduciary controlled entities and state  
33 agencies and offices to identify MWBE asset managers, MWBE financial  
34 institutions and MWBE professional service firms.

35 As used in this section, the terms "MWBE asset manager", "MWBE finan-  
36 cial institutions", "MWBE", "fiduciary-controlled entities" and "best  
37 execution" shall have the meanings specified in section one hundred  
38 seventy-six of the retirement and social security law.

39 § 8. Subdivision 1 of section 87-i of the workers' compensation law,  
40 as added by chapter 171 of the laws of 2010, is amended to read as  
41 follows:

42 1. Within the discretion of the commissioners of the state insurance  
43 fund and in accordance with and subject to their fiduciary duty and  
44 obligations as trustees of the state insurance fund and to the benefici-  
45 aries of such fund and such other investment limitations as may be  
46 prescribed by this chapter, the commissioners are authorized to estab-  
47 lish an MWBE asset management and financial institution strategy  
48 [~~including~~] consistent with and in addition to their obligations under  
49 section one hundred seventy-seven-b of the retirement and social securi-  
50 ty law, which shall include reasonable goals for utilization of MWBE  
51 asset managers, MWBE financial institutions and MWBE financial and  
52 professional service firms, which strategy shall include, but shall not  
53 be limited to, the following objectives:

54 (a) investing assets of the state insurance fund with MWBE asset  
55 managers;

1 (b) subject to best execution, (1) conducting trades of public equity  
2 securities with MWBE financial institutions; and (2) conducting trades  
3 of fixed-income securities through MWBE financial institutions;

4 (c) allocating investments of assets of the state insurance fund  
5 either through (1) direct investments in the equities and debt securi-  
6 ties of MWBEs; or (2) indirectly through special programs involving MWBE  
7 asset managers; and

8 (d) awarding contracts for accounting, banking, financial advisory,  
9 insurance, legal, research, valuation and other financial and profes-  
10 sional services to MWBE financial institutions and other MWBE profes-  
11 sional service firms.

12 As used in this section, the terms "MWBE asset manager", "MWBE finan-  
13 cial institutions", "MWBE", "fiduciary-controlled entities" and "best  
14 execution" shall have the meanings specified in section one hundred  
15 seventy-six of the retirement and social security law and shall be  
16 certified in a manner consistent with the provisions of subdivision  
17 three of section four hundred twenty-three-c of the retirement and  
18 social security law.

19 § 9. This act shall take effect on the first of January next succeed-  
20 ing the date on which it shall have become a law.