





INVESTING IN NEW YORK



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State Comptroller Thomas P. DiNapoli is trustee of the New York State Common Retirement Fund, the third largest public pension fund in the country, and administrator of the New York State and Local Retirement System (NYSLRS), which serves over one million public employee members, retirees and beneficiaries.

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About the New York State

COMMON RETIREMENT FUND

The New York State Common Retirement Fund has a positive impact on the State's economy.

The third largest public pension plan in the country – **valued at \$192.4 billion as of March 2017** – the Fund puts public pension dollars to work statewide. In the last fiscal year, over \$9 billion was paid to pensioners in New York. These dollars strengthen our State's tax base, support local business and spur job growth.

State Comptroller Thomas DiNapoli and his staff are committed to managing the Fund in the best interests of NYSLRS members, retirees and beneficiaries. This commitment is grounded in the Comptroller's fiduciary duty as sole trustee.

The Fund's investments in New York are targeted through three programs: the In-State Private Equity Investment Program, the New York Business Development Corporation (NYBDC) loan program and the Community Preservation Corporation (CPC) affordable housing program.

The Fund's experience with these New York-based programs has shown that careful investment can generate impressive benefits.



Comptroller DiNapoli visiting with NYSUT members at annual Retiree Convention.



IN-STATE PRIVATE EQUITY PROGRAM

We're deploying private equity all over the state and putting New Yorkers to work.

Working with Private Equity Funds

The In-State Private Equity Investment Program was started in 1999 to invest in startup, emerging and established New York businesses through private equity funds.

Since taking office, Comptroller DiNapoli has increased the Fund's commitment to the In-State Program from \$453 million in 2007 to \$1.6 billion this year.

The program was designed to generate solid returns, New Yorkers to work and embolden local economies. Currently, the Fund partners with 19 financial managers that seek out appropriate risk-adjusted returns.

One billion dollars has been invested in 361 New York companies since the program started. More than 70 percent of these



Comptroller DiNapoli touring 901D, headquartered in Rockland County.

investments have been made during the past seven years.

The investments encompass a wide range of investment stages, including **venture capital** for new businesses, **growth equity** for established companies wishing to expand, and **buyout funding** for expansion-ready businesses that are changing ownership.

Of the \$1.6 billion committed, allocations include:

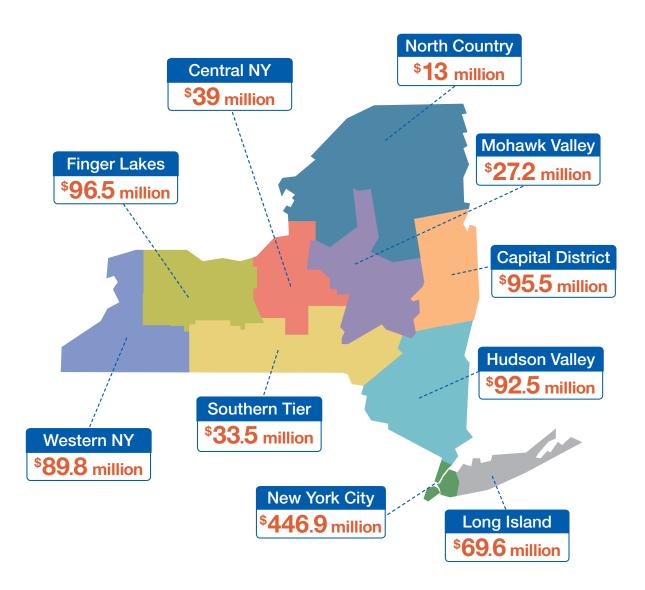
- \$515 million to firms focusing on venture capital;
- \$282 million to funds providing buyout funding and growth equity; and
- \$775 million to funds pursuing equity and credit co-investments.

The program invests in a wide range of industries, reflecting the size and economic diversity of New York State businesses. The fast-growing high-tech sector has been one attractive focus for private equity investment.

Investments have been made in companies developing new technologies in clean energy and software, including SaaS (Software as a Service) platforms as well as business-to-business and business-to-consumer applications. The manufacturing investments include a growing electronic components firm. And capital is being deployed in healthcare and biotechnology, including medical devices and equipment.

Investments Across New York State

Working with private equity firms, the Fund has found investment opportunities statewide. In fact, nearly half of the total capital in the In-State Private Equity program is invested in upstate New York.



New York's In-State Private Equity Investment Program is a leader in the field.

Earning Solid Returns

As of 2016, 139 of the In-State Private Equity program's individual investments had been completed or "exited," generating \$863 million for the Fund on \$583 million invested.

 The program has completed 12 of the 38 investment funds, generating a net internal rate of return of approximately 11 percent.

Through the first quarter of 2017, other investors in the same funds had added \$586 million to the **Fund's \$1 billion in capital**, **for a total of \$1.6 billion**. This leverage is further increased when capital from all sources, including bank loans, is considered: a total of \$14.1 billion—close to 15 times the Fund's capital—has been invested in 361 companies.

When the Fund successfully exits an investment and generates a return, the increased tax base and jobs created represent an added benefit to the State. Not every private equity investment succeeds, nor does every successful investment generate jobs. However, the overall success of the program enhances the environment for sustainable economic growth, job creation and retention, and business innovation in New York State.

The following examples of recently exited investments suggest the range and character of the program's achievements:

- The 2015 sale of a New York City ticketing and venue management software company yielded \$10.4 million on an investment of \$1.5 million—almost seven times the original investment.
- The sale of a statewide medical technology maintenance company in 2016 generated \$11.1 million on a \$4.4 million investment—2.5 times the initial investment.
- The 2016 sale of an upstate manufacturing company yielded 1.4 times the original \$7.6 million investment.



Companies receiving capital through the program employ 32,000 people, and have added 6,500 jobs since the Fund's investment.

Growing Small Businesses New York Business Development Corporation (NYBDC)

In 1987, the Fund established a lending partnership with the New York Business Development Corporation (NYBDC) to provide capital for small business loans statewide.

Loans have been made to a variety of businesses in New York's 62 counties and in every type of community: urban, suburban, small town and rural.

Since the program started, NYBDC has made 1,139 loans totaling \$393 million to companies, which provide jobs for more than 23,000 New Yorkers. State Comptroller DiNapoli committed an additional \$100 million to the program in 2010, bringing the total commitment to nearly \$400 million. While consistently meeting the Fund's return targets for investments in this class, the program has exceeded goals for participation by minority- and women-owned business enterprises (MWBEs). Since 2009, 35 percent of loans have been awarded to MWBEs.



Comptroller DiNapoli announcing the Fund's investment in WhoSay, an internet start-up company.

More than \$2.5 million in loans have been granted to businesses started or owned by U.S. military veterans, including:

- **DNJ Management,** an ice cream distributor in Watertown.
- Shrewd Fox Brewery, a craft brewery in Eldred.
- Spearhead Construction, a construction firm specializing in carpentry in Fort Montgomery.
- Versa-Tel T.S. Inc., a telecommunications firm in East Meadow.

New York Credit Small Business Investment Company Fund (SBIC)

The New York State Common Retirement Fund is the anchor investor for the innovative New York Credit Small Business Investment Company (SBIC) Fund, which is managed by Hamilton Lane. The SBIC Fund is designed to earn attractive returns for the Common Retirement Fund and other investors—which include TD Bank, HSBC Bank and Bank of New York Mellon—while providing credit financing to eligible firms based in New York. With \$200 million available for debt and mezzanine financing, the SBIC Fund targets business with annual revenues between \$5 million and \$50 million. It is one of the first state-based funds offering credit financing in the country.

Building Affordable Housing

In 1991, the Fund partnered with the Community Preservation Corporation (CPC)—a nonprofit mortgage lender—to revitalize New York communities and to create affordable housing.

The CPC provides capital for new and renovated housing for moderate- and low-income families throughout New York State. The organization also builds supportive housing for senior citizens and people with special needs.

In April 2014, State Comptroller DiNapoli allocated an additional \$200 million commitment to the CPC. From this amount, more than \$81 million dollars has been invested in projects; nearly \$107 million dollars is committed to projects currently under development; and more than \$11 million dollars is allocated for future projects.

As of March 2017, the Fund has purchased 478 CPC mortgages valued at \$937.6 million. More than \$760 million has been invested in 18,745 units of housing for New York families.

The Fund will continue its partnership with the CPC to revitalize economically challenged areas of the State and to give New Yorkers the opportunity to purchase their own homes.





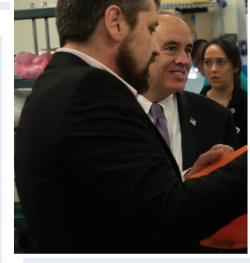
Top Right: Comptroller DiNapoli tours Elfs Farm Winery & Cider House in Plattsburgh.

Middle Right: Comptroller DiNapoli at the ribbon cutting ceremoney for 500 Seneca Street, a mixed-use property in Buffalo.

Bottom Left: Comptroller DiNapoli touring the Glenville Business and Technology Park.







Top: Comptroller DiNapoli announcing the Fund's investment in Southern Tier Brewing Company. **Middle Right:** Comptroller DiNapoli touring 901D

in Rockland County.

Bottom Left: Comptroller DiNapoli touring Schenectady-based Puzzles Bakery and Cafe.

For additional information on the In-State Private Equity Investment Program, visit **www.osc.state.ny.us/pension/instate.**

Contact

Office of the New York State Comptroller 110 State Street, 15th Floor Albany, New York 12236

(518) 474-4040

www.osc.state.ny.us









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