

THOMAS P. DINAPOLI
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

EXECUTIVE ORDER

POLITICAL CONTRIBUTION

WHEREAS, upon taking office as New York State Comptroller in February 2007, I initiated a program to eradicate opportunities for corruption and to restore confidence in the integrity of the Office of the State Comptroller ("OSC") and the New York State Common Retirement Fund ("CRF" or "The Fund") by making ethics the highest priority of OSC; and

WHEREAS, in furtherance of elevating ethics to the highest priority of OSC and CRF, I have implemented a variety of programs and projects that enhance the commitment and operations of OSC and CRF to transparency, openness and risk management; and

WHEREAS, among the policies I adopted to eradicate opportunities for corruption, to promote ethics and integrity and to enhance the commitment and operations of OSC and CRF to transparency, openness and risk management is a ban on the use of paid intermediaries and placement agents by the CRF; and

WHEREAS, I have written to and, on July 24, 2009, met with Securities and Exchange Commission ("SEC") Chairman Mary L. Schapiro to express support for a national ban on "pay to play" dealings with public pension funds and to discuss the next steps that need to be taken to protect public pension funds; and

WHEREAS, the Securities and Exchange Commission on August 3, 2009 issued a proposed rule to prohibit political contributions by certain Investment Advisers in an attempt to prevent "pay to play" practices by such advisers; and

WHEREAS, it is anticipated that the Securities and Exchange Commission, following a comment period, will adopt a final rule in this area; and

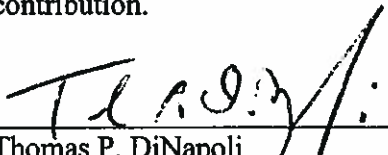
WHEREAS, in order to preserve the independence and integrity of the CRF until such time as the SEC adopts a final rule pertaining to political contribution, an Interim Policy regarding political contribution by Investment Advisers is warranted for the Fund to promote ethics and integrity and to enhance the commitment and operations of CRF to transparency; and

WHEREAS, this Executive Order and the associated Interim Policy are designed to eradicate opportunities for corruption, prevent conflicts of interest or the appearance of conflicts of interest in the CRF's investment decision-making process, and ensure that investment decisions are made for the exclusive benefit of the New York State and Local Retirement System members, retirees and beneficiaries, as well as to ensure the integrity of the CRF's decision making process and maintain the highest standards of ethical conduct; and

WHEREAS, for all the foregoing reasons, it is warranted to prohibit the CRF, directly or indirectly, from engaging, hiring, investing with, or committing to, an outside Investment Adviser within two years after a contribution has been made by the Investment Adviser or any Covered Associate of an Investment Adviser to the incumbent State Comptroller, any candidate for State Comptroller, or the successful candidate for State Comptroller; and

NOW, THEREFORE, I, Thomas P. DiNapoli, Comptroller of the State of New York, in consideration of the aforementioned, do hereby order that:

The attached Interim Policy Regarding Political Contribution by Investment Advisers is hereby adopted as an Interim Policy and shall be effective on and after the forty-fifth day after the date on which this Executive Order is signed and such interim policy shall remain in effect until such time as the Securities and Exchange Commission adopts a final rule pertaining to political contribution.



Thomas P. DiNapoli
Comptroller, State of New York

Date: September 23, 2009

Interim Policy Regarding Political Contribution by Investment Advisers

In order to preserve the independence and integrity of the New York State Common Retirement Fund (“CRF” or “the Fund”), the State Comptroller, in the exercise of his fiduciary duty, has adopted an Executive Order regarding political contribution by investment advisers. This Interim Policy is designed to implement such order, prevent conflicts of interest or the appearance of conflicts of interest in CRF’s investment decision-making process, and ensure that investment decisions are made for the exclusive benefit of the New York State and Local Retirement System members, retirees and beneficiaries, as well as to ensure the integrity of the CRF decision-making process and maintain the highest standards of ethical conduct. This Interim Policy is adopted with the recognition that the Securities and Exchange Commission (“SEC”) on August 3, 2009 released a proposed rule pertaining to the same conduct covered by this Executive Order. This Interim Policy anticipates that, following a comment period, the SEC will adopt a final rule in this area. As such, this Interim Policy shall expire upon the effective date of the SEC’s final rule pertaining to political contribution.

This Interim Policy shall be implemented by the CRF with respect to those contributions, as set forth in this Interim Policy, made by an Investment Adviser or Covered Associate of an Investment Adviser (including a person who becomes a Covered Associate of an Investment Adviser within two years after the contribution is made) on and after the forty-fifth day after the date on which the Executive Order is signed.

I. Definitions

For the purposes of this Interim Policy, the following terms shall have the following meanings:

- A. “Contribution” means any gift, subscription, loan, advance, deposit of money or any thing of value, including, but not limited to, payment of debt incurred in connection with any election for State Comptroller or transition or inaugural expenses of the successful candidate for State Comptroller.
- B. “Covered Associate of an Investment Adviser” means any general partner, managing member or executive officer, or other individual with a similar status or function; any employee who solicits a government entity for the Investment Adviser; and any political action committee controlled by the Investment Adviser or by any general partner of the Investment Adviser, managing member or executive officer, or other individual with a similar status or function or any employee who solicits a government entity for the Investment Adviser.
- C. “Executive Officer” means the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), or any other executive officer of the Investment Adviser who, in each case, in connection with his or her regular duties:

- i. performs, or supervises any person who performs, investment advisory services for the Investment Adviser;
- ii. solicits, or supervises any person who solicits, for the Investment Adviser; or
- iii. supervises, directly or indirectly, any other person who is an executive officer pursuant to paragraphs i and ii of this subdivision.

D. "Investment Adviser" means any Investment Adviser registered or required to be registered with the SEC and those Investment Advisers exempt from registration with the SEC under section 203 of the Federal Advisers Act (15 U.S.C. 80b-3(b)(3)).

II. Prohibitions

A. The State Comptroller has determined that it is warranted for the Fund to prohibit the Fund, directly or indirectly, from engaging, hiring, investing with, or committing to, an outside Investment Adviser within two years after a contribution has been made by the Investment Adviser or any Covered Associate of an Investment Adviser to the incumbent State Comptroller, any candidate for State Comptroller, or the successful candidate for State Comptroller.

B. Additionally, the State Comptroller has determined that it is warranted for the Fund to prohibit the Fund, directly or indirectly, from engaging, hiring, investing with, or committing to, an outside Investment Adviser where such Investment Adviser or any Covered Associate of the Investment Adviser:

- i. coordinates or solicits any person or political action committee to make any contribution to the incumbent State Comptroller, any candidate for State Comptroller, or the successful candidate for State Comptroller; and
- ii. provides or seeks to provide investment advisory services to the Fund.

C. This Interim Policy does not apply to contributions made by a Covered Associate of an Investment Adviser, if a natural person, to the incumbent State Comptroller, any candidate for State Comptroller, or the successful candidate for State Comptroller for whom the Covered Associate of an Investment Adviser was entitled to vote at the time of the contributions and which in the aggregate do not exceed \$250 to any one candidate per election.

D. It shall be a violation of this Interim Policy for an Investment Adviser or any Covered Associate of an Investment Adviser to do anything indirectly that, if done directly, would result in a violation of this Interim Policy.

III. Investment Advisers That Must Provide Political Contribution Representation

A. Any Investment Adviser registered or required to be registered with the SEC and those investment advisers exempt from registration with the SEC under section 203 of the Federal Advisers Act (15 U.S.C. 80b-3(b)(3)) must provide a Political Contribution Representation.

IV. Form of Political Contribution Representation

A. The Investment Adviser shall provide a Political Contribution Representation in the form of a letter that represents that no contribution has been made after the effective date of this policy by the Investment Adviser or any Covered Associate of the Investment Adviser to the incumbent State Comptroller, any candidate for State Comptroller, or the successful candidate for State Comptroller within the two year time period immediately preceding the date of representation.

B. The Political Contribution Representation shall contain a representation that all information contained in such letter is true, correct and complete in all material respects.

C. Notwithstanding anything to the contrary, the CRF may disclose the information contained in the Political Contribution Representation to the public.

V. Political Contribution Representation Review Process

A. The Inspector General and the Special Counsel for Ethics will review such representations, will jointly determine whether a Political Contribution Representation is sufficient, and will notify the OSC General Counsel or attorney assigned to the transaction of their determination.

VI. Failure to Comply with Political Contribution Representation Requirement

A. In the event that the Investment Adviser fails to comply with the Political Contribution Representation requirement, no investment shall occur and/or no agreement shall be entered into. In the event it is later determined that the Investment Adviser has made a material misstatement or omission in such Representation, CRF shall have the option, in its sole discretion, to terminate its relationship with the Investment Adviser. The CRF shall have no liability to the Investment Adviser upon such termination. Termination of the relationship may take the following forms:

- i. Public equity advisers: termination of the investment management agreement. If the investments are not held by CRF's custodian, CRF will have the option of receiving a distribution of securities or requiring that the Investment Adviser make payment to CRF in cash.
- ii. Private equity advisers: termination of CRF's obligation to make future capital contributions.
- iii. Real estate opportunity funds: termination of CRF's obligation to make future capital contributions.
- iv. Other real estate investments: removal of the General Partner, forfeiture of its carried interest and termination of CRF's obligation to make future capital contributions.
- v. Absolute return strategies: immediate redemption of the investment.

- vi. Advisers and Consultants: immediate termination of the contract and recoupment of amounts paid thereunder.

B. In each case, termination of the relationship shall occur either immediately or on such date as CRF shall, in its sole discretion, specify. The remedies in Subdivision A of this section shall apply to every contract entered into after the effective date of this Interim Policy during the pendency thereof, or any SEC rule or regulation governing political contribution.

C. CRF will have the sole right to determine whether a misstatement or omission by an Investment Adviser is material.

D. Any management or other agreement between CRF and an Investment Adviser will permit termination by CRF pursuant to this Interim Policy without penalty to CRF.

VII. Notification

A. Direct Investments/Relationships

- i. CRF staff will inform the Investment Adviser in writing of the Political Contribution Representation requirements when staff begins full due-diligence review of the potential Investment Transaction. The Counsel for CRF will be responsible for sending such written notice.
- ii. The Counsel for CRF will send written notice in the form of a letter (paper, fax or electronic message) to the Investment Adviser (“Notice”) requesting a Political Contribution Representation. A copy of this Interim Policy will be made available to the Investment Adviser prior to or at the time Notice is given to the Investment Adviser.
- iii. Within 20 calendar days from receipt of the Notice, but no later than 15 calendar days prior to closing an Investment Transaction, the Investment Adviser will provide the Political Contribution Representation to the Counsel for CRF containing the information specified in this Interim Policy.
- iv. The Political Contribution Representation will be provided to all of the individuals currently serving in the following positions within OSC as specifically identified in Attachment A attached hereto:
 - a. Inspector General;
 - b. Special Counsel for Ethics; and
 - c. Counsel for CRF.

B. Indirect Investments/Relationships

- i. The Indirect Investment Adviser will inform the Investment Adviser of an Underlying Fund in writing of the Political Contribution Representation requirements when the Indirect Investment Adviser begins full due-diligence review of the potential Investment Transaction.

- ii. The Indirect Investment Adviser will send Notice to the Investment Adviser requesting a Political Contribution Representation. A copy of this Interim Policy shall be made available to the Indirect Investment Adviser who shall then make it available to the Investment Adviser prior to or at the time Notice is given to the Investment Adviser.
- iii. Within 20 calendar days from receipt of the Notice, but no later than 15 calendar days prior to closing an Investment Transaction, the Investment Adviser will provide the Political Contribution Representation to CRF containing the information specified in this Interim Policy.
- iv. The Representation will be delivered to all of the individuals currently serving in the following positions within OSC (see Attachment A):
 - a. Inspector General;
 - b. Special Counsel for Ethics; and
 - c. Counsel for CRF.

VIII. Submission of Political Contribution Representation

A. The Investment Adviser will be required to submit the Political Contribution Representation to the Counsel for CRF within 20 calendar days of delivery of the Notice, but no later than 15 calendar days prior to closing of an Investment Transaction. In the event of an accelerated closing where the timing requirements cannot be met, the Counsel for CRF may waive the minimum timing requirements so long as Notice is delivered prior to closing of the Investment Transaction.

B. As part of the closing or signing, the Investment Adviser will be required to restate the previously submitted Political Contribution Representation and confirm the Investment Adviser's agreement to the provisions contained in this Interim Policy.

IX. Internal Controls and Recordkeeping

A. CRF staff, as part of the closing process for an Investment Transaction, will comply with the following procedures:

- i. The Counsel for CRF or attorney responsible for the Investment Transaction will ensure that the Political Contribution Representation was made prior to the issuance of a No Objection opinion.
- ii. The Political Contribution Representation will be included as an essential part of the closing record in the vault file with other legal documents.

X. Designees

A. The Assistant Comptroller for Internal Audit may act on behalf of the Inspector General.

B. The General Counsel or Deputy Counsel may act on behalf of the Special Counsel for Ethics.

XI. Amendments to Attachment

A. The Attachment to this Policy may be amended as needed to reflect changes in CRF staff. Amendments to the Attachment that reflect such changes in names of CRF staff will not affect this Policy and do not require approval of the State Comptroller.

XII. Exemptions

A. An exemption may be granted by an agreement by the Inspector General and the Special Counsel for Ethics when necessary or appropriate and consistent with the purpose fairly intended by this Interim Policy after consideration of:

- i. whether the Investment Adviser:
 - a. adopted and implemented policies and procedures reasonably designed to prevent violations of this Interim Policy before the contribution resulting in the prohibition was made; and
 - b. had no actual knowledge of the contribution prior to or at the time the contribution which resulted in such prohibition was made; and
 - c. has taken all available steps to cause the contributor to obtain a return of the contribution after learning of the contribution and has taken such other remedial or preventive measure as may be appropriate under the circumstances; and
- ii whether, at the time of the contribution, the contributor was a Covered Associate of an Investment Adviser or otherwise an employee of the Investment Adviser, or was seeking such employment; and
- iii the timing and amount of the contribution; and
- iv the contributor's apparent intent or motive in making the contribution, as evidenced by the facts and circumstances surrounding such contribution.

Date: September 23, 2009

Attachment A

- a. George King, Inspector General, Office of the State Comptroller, 110 State Street, Albany, NY 12236, gking@osc.state.ny.us
- b. Suzanne Dugan, Special Counsel for Ethics, Office of the State Comptroller, 110 State Street, Albany, NY 12236, sdugan@osc.state.ny.us
- c. David Riley, Counsel for CRF, Office of the State Comptroller, 59 Maiden Lane, New York, NY 10038, driley@osc.state.ny.us