

CODE OF CONDUCT FOR NYSLRS AND NYSCRF

I. Purpose

This Code establishes standards of conduct for the management of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System (hereinafter, collectively, "the Retirement System"), and the New York State Common Retirement Fund (hereinafter "the Fund"). These standards are intended to assure that the following principles apply to the conduct of the business of the Retirement System and the Fund, and to the State Comptroller (as administrative head of the Retirement System and as sole trustee of the Fund), the officers and employees of the Office of the State Comptroller with responsibility for matters relating to the Retirement System or the Fund, the investment managers and consultants or advisors engaged by the Fund, and the members of the Advisory Council and Committees established by law, regulation or the Comptroller:

(a) the Retirement System and the Fund shall adhere to and be managed in accordance with the highest ethical, professional and conflict of interest standards;

(b) actions on behalf of the Retirement System and the Fund shall be for the sole benefit of the Retirement System's members, retirees and beneficiaries;

(c) the Retirement System and the Fund shall operate under a strong governance framework with a rigorous system of internal controls;

(d) the Retirement System and the Fund shall maintain a high level of operational transparency; and

(e) the Retirement System and the Fund shall be managed in the most efficient and effective manner possible.

II. Comptroller Duties

(a) Fiduciary. The Comptroller is a fiduciary and as such shall act solely in the interests of the members, retirees and beneficiaries of the Retirement System. At all times the Comptroller shall perform his or her responsibilities with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(b) Investment Policy Statement. The Fund shall at all times be under the control of the Comptroller, who shall adopt an investment policy statement and any amendments to such as needed. Key elements of an investment policy statement shall include, without limitation:

(1) investment purpose;

(2) investment objectives;

(3) roles and responsibilities of the Comptroller, and the Comptroller's staff and committees, with respect to investments of the assets of the Fund;

(4) investment guidelines and limits encompassing all types of investments;

(5) asset allocation targets, including procedures for rebalancing;

(6) standards for measuring investment performance and evaluating investment risk; and

(7) any other guidelines adopted by the Comptroller with respect to specific investment related issues, including, but not limited to, securities lending, proxy voting, brokerage, and securities litigation.

(c) Qualified Staff. The Comptroller shall recruit highly qualified professional investment staff and maintain a program to retain highly qualified employees.

(d) Qualified Advisors. The Comptroller shall ensure that the Fund has access to the services of highly qualified outside counsel and independent advisors.

(e) Loans and Investments to be Approved. No investment or loan transaction shall be made by the Fund unless the same has been approved in writing by the Comptroller or unless the Comptroller has delegated his or her powers of investment to a committee or agent of the Comptroller in accordance with the Fund's investment policy statement. Such committee or agent shall render timely written reports of its activities to the Comptroller under a schedule to be established by the Comptroller, and shall render special reports whenever requested by the Comptroller. The Comptroller

shall furnish any such reports promptly upon the request of the Superintendent of Insurance (the "Superintendent").

(f) Delegation of Investment Powers. In respect to delegation of investment powers, the Comptroller shall regularly review:

- (1) the present holdings in the investment account;
- (2) any material changes in the account during the preceding period;
- (3) the reasons for such changes and the results achieved thereby;
- (4) the investment activity in the account including the rate of turnover; and
- (5) any other factors that the Comptroller considers pertinent to an analysis of financial performance and planning, consistent with his or her obligation as a fiduciary.

(g) Action on Recommendations of Actuary. The Comptroller shall adopt, as shall be deemed necessary, such mortality, service and other tables recommended by the Retirement System's actuary and certify the rates of deduction from compensation and ascertain contributions by the employers computed to be necessary to pay the benefits authorized under the provisions of law. The Comptroller shall also submit to the Superintendent, in writing, the reasons for any decision not to adopt such recommendations presented by the Retirement System's actuary.

(h) Action on Recommendations of Retirement System Medical Board. The Comptroller shall not reverse, reject, or unduly delay the adoption of the recommendations of the Retirement System's medical board in the performance of its statutory duty, unless such rejection, reversal or delay is supported by objective reasons stated, in writing, by the Comptroller.

(i) Contributions to the Retirement System. The Comptroller shall ascertain when contributions to the Retirement System are due and institute appropriate procedures to enforce prompt payment thereof. Contributions for a fiscal year which are more than three months overdue shall be reported to the Superintendent by a schedule appended to the annual statement filed with the Insurance Department.

(j) Fiduciary Review. The Comptroller shall require fiduciary and conflict of interest reviews of the Fund every three years by a qualified unaffiliated person.

(k) Internal Audits. The Comptroller shall have on his or her staff an internal auditor who shall report to the Comptroller and shall submit regular reports of the audits of the Retirement System's and Fund's records, accounting procedures, and investment operations, including recommendations for improvement and correction. The Comptroller shall require the internal auditor to conduct audits on an annual basis based

on risk assessment criteria of the operations of the Retirement System and the Fund, including audits of business relationships with the Retirement System and the Fund. The Comptroller shall share all internal and external audit reports related to the Retirement System and the Fund with the Audit Committee. The Comptroller shall furnish any such reports promptly upon the request of the Superintendent.

III. Prohibited Transactions

Neither the Comptroller, nor any consultant or advisor, investment manager, agent or employee, shall:

(a) deal in the assets of the Retirement System or the Fund for his or her own account;

(b) act in any capacity in any transaction involving the Retirement System or the Fund on behalf of a party whose interests are adverse to the Retirement System or the Fund;

(c) receive any consideration from any party other than the Office of the State Comptroller, the Retirement System or the Fund in connection with a transaction involving the Retirement System or the Fund; or

(d) own or maintain any indicia of ownership or personal interest in any assets of the Retirement System or the Fund other than an interest in the Retirement System as a member, retirees or beneficiary.

IV. Investment Managers, and Consultants or Advisors

(a) Fiduciary Duty and Disclosure of Conflicts. The Comptroller shall require that investment managers, and consultants or advisors:

(1) promptly disclose to the Fund in writing any conflict of interest the investment manager or consultant or advisor may have which could reasonably be expected to impair the investment manager's, or consultant or advisor's ability to render unbiased and objective advice; and

(2) file annually with the Fund a statement acknowledging that they are aware of and that they are in compliance with the above standard. Such statement shall contain the following language:

“All investment managers, and consultants or advisors owe the Comptroller and the Common Retirement Fund a fiduciary duty. This means that investment managers, or consultants or advisors must disclose to the Comptroller information about material conflicts of interest. Failure to truthfully complete this statement may result in criminal or civil liabilities”.

(b) Use of Placement Agents and Other Intermediaries Prohibited. In order to preserve the independence and integrity of the Fund, to preclude potential conflicts of interest, and to assist the Comptroller in fulfilling his or her duties as a fiduciary to the Fund, the Fund shall not engage, hire, invest with or commit to an outside investment manager who is using the services of a placement agent or intermediary to assist the investment manager in obtaining investments by the Fund.

(1) For purposes of this section, “placement agent or intermediary” shall mean any person or entity, including registered lobbyists, directly or indirectly engaged and compensated by an investment manager (other than a regular employee of the investment manager) to promote investments or to solicit investment by the Fund, or otherwise doing business with the fund, whether compensated on a flat fee, a contingent fee, or any other basis. Regular employees of an investment manager are excluded from this definition unless they are employed principally for the purpose of securing or influencing the decision to secure a particular transaction or investment by the Fund. For purpose of this paragraph, the term "employee" shall include any person who would qualify as an employee under the federal Internal Revenue Code of 1986, as amended, but shall not include a person hired, retained or engaged by an investment manager to secure or influence the decision to secure a particular transaction or investment by the Fund.

(2) All investment managers shall be required prior to a transaction closing to comply with any disclosure and notification requirements established by the Comptroller to assure compliance with this prohibition. These requirements shall be mandatory and may not be waived.

(c) Political Contribution by Investment Adviser; Prohibition on Business with Fund. In order to eradicate opportunities for corruption and to restore confidence in the Fund's investment decision-making process, the Fund shall not, directly or indirectly:

(1) engage, hire, invest with, or commit 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, or

(2) engage, hire invest with or commit to an outside Investment Adviser who provides or seeks to provide investment advisory services to the Fund where such Investment Adviser or any Covered Associate of the Investment Advisor 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.

These prohibitions shall be construed in accordance with the Comptroller's "Executive Order on Political Contribution" dated September 23, 2009 and the incorporated Interim Policy, which provide that the provisions thereof shall remain in effect until such time as the Securities and Exchange Commission (SEC) adopts a final rule pertaining to political contribution.

(d) Licensing and Registration. Any persons or entities performing services for the Fund which require them to be registered and/or licensed by the SEC or other regulators shall comply with such registration and/or license requirements.

(e) Guidelines for Procurement of Services. The Comptroller shall establish transparent procurement guidelines and procedures with respect to procurement of all investment managers, and consultants or advisors. Such guidelines and procedures shall be published on the Office of the State Comptroller public website. The method of selection of investment managers, and consultants or advisors shall be documented in writing, in a procurement record.

(f) Process to Investigate Complaints of Abuse. The Comptroller shall develop a process to receive and investigate complaints from any source, or upon his or her own initiative, concerning allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by a person or entity having business dealings with the Fund relating to such dealings. The process shall be set forth in written guidelines and such guidelines shall be published on the Office of the State Comptroller public website. The process shall provide for referral to civil or criminal enforcement agencies, if appropriate.

(g) Audit of Fees by Superintendent. All agreements with consultants or advisors, investment managers, or third party administrators (i.e., a person or entity that

contracts to provide non-investment administrative services to the Retirement System) shall include provisions that require the person or entity to:

(1) submit to a review by the Superintendent concerning fees paid by the Fund and services rendered to the Fund; and

(2) respond in writing to any inquiry or request for information by the Superintendent concerning fees paid by the Fund and services rendered to the Fund.

V. Advisory Council and Committees:

(a) Investment and Real Estate Advisory Committees. The Comptroller shall appoint Committees required by statute, regulation, or executive order of the Comptroller, including but not limited to, the Investment Advisory Committee and the Real Estate Advisory Committee (also known as the Mortgage Advisory Committee) required by Section 423 of the Retirement and Social Security Law. The Comptroller shall authorize the Investment Advisory Committee to review the investment policy statement and offer advice regarding amendments to the investment policy statement as needed.

(b) Advisory Council. The Comptroller shall appoint the members of the Advisory Council for the Retirement System to advise him or her and make recommendations to him or her concerning policies relating to the administration and management of the Retirement System. Representation on the Advisory Council shall be as required by regulation and shall include employee representatives, municipal representatives, State agency representatives, a pensioner representative, labor and business organization representatives and legislative representatives.

(c) Audit Committee. The Comptroller shall establish an Audit Committee for the Retirement System and the Fund comprised exclusively of unaffiliated persons, one of whom shall reflect the interests of public employees and one of whom shall reflect the interests of public employers.

(d) Actuarial Committee. The Comptroller shall establish an Actuarial Committee comprised exclusively of unaffiliated persons who have expertise and experience in actuarial science.

(e) Process to Investigate Complaints. The Comptroller shall develop a process to receive and investigate complaints from any source, or upon his or her own initiative, concerning allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by a committee member. The process shall be set forth in written guidelines and such guidelines shall be published on the Office of the State Comptroller public website.

(f) Minutes of Committee Meetings. The Comptroller shall require proper minutes of meetings of the Advisory Council and any Committee established by law, regulation or the Comptroller. The Comptroller shall furnish such minutes promptly upon the request of the Superintendent.

(g) Ethical Standards and Financial Disclosure for Committees. The Comptroller shall establish a Code of Ethics setting out written ethical standards applicable to the members of the Advisory Council and Committees. Such Code of Ethics shall be published on the Office of the State Comptroller public website. Copies of the Code of Ethics shall be provided to each person serving on or appointed to the Advisory Council or Committees and such persons shall acknowledge receipt and be

bound by the provisions thereof. In addition, the Comptroller shall establish a system of financial disclosure for Committee members.

(h) Fiduciary and Ethics Training. The Comptroller shall be responsible for ensuring that all members of the Advisory Council and any Committee established by law or regulation or by the Comptroller to assist in the management of the Retirement System or in the investment of the assets of the Fund have been provided with appropriate information pertaining to their duties and their fiduciary and ethical responsibilities and provided training with respect to discharge of their fiduciary duties and responsibilities to the Fund.

VI. Employees:

(a) Public Officers Law Compliance. All employees of the Office of the State Comptroller, including those who have responsibility for matters related to the Retirement System or the Fund, are subject to the applicable provisions of the Public Officers Law, including financial disclosure by covered employees and restrictions on contracts with the State, gifts, post-State employment, appearances before State agencies, decisions regarding certain contracts and investments and political considerations in decision making.

(b) Training. All employees of Office of the State Comptroller who have responsibility for matters related to the Retirement System or the Fund shall be provided training with respect to discharge of their duties and responsibilities to the Retirement System or the Fund, including ethics and fiduciary training.

(c) Insider Trading Restrictions; Disclosure. A policy shall be in place to prevent insider trading and the misuse of material, nonpublic and confidential information by Office of the State Comptroller officers and employees, including the Comptroller. Staff of the Division of Pension Investment and Cash Management, and other staff who may have access to such information, shall be required annually to certify compliance with the policy. In addition, investment staff shall be required semi-annually to disclose personal securities transactions.

(d) Process to Investigate Complaints of Abuse. The Comptroller shall develop a process to receive and investigate complaints from any source, or upon his or her own initiative, concerning allegations of corruption, fraud, criminal activity, conflicts of interest or abuse in the Office of the State Comptroller by a State officer or employee relating to his or her office or employment. The process shall be set forth in written guidelines and such guidelines shall be published on the Office of the State Comptroller public website.

VII. Transparency and Financial Reporting

(a) Books and Records.

(1) All records, including work papers for the preparation of the annual statement filed with the Superintendent, shall be available to the Department's examiners and be maintained in accordance with the requirements of 11 NYCRR Part 243.

(2) Books of account and records of the Retirement System and of the Fund shall be maintained by fiscal year for which the Retirement System files reports.

(3) The Comptroller shall maintain a classification of Retirement System and Fund accounts, numbered and titled, together with an accurate description of the content of each account by debit and credit. The classification of accounts shall be consistent with the requirements of the accounting and financial reporting standards of the Governmental Accounting Standards Board and of any other reporting requirement judged to be necessary by the Superintendent.

(4) The Comptroller shall maintain records that set forth the expenses incurred by the Retirement System and the Fund on their behalf in the course of operations.

(b) Audit Opinion and Financial Report to be Filed.

(1) The Comptroller shall file with the Superintendent an annual statement in the format prescribed by Section 307 of the Insurance Law, including the Retirement System's financial statement, together with an opinion of an independent certified public accountant on the financial statement;

(2) The Comptroller shall file with the Superintendent the Comprehensive Annual Financial Report within the time prescribed by law, but no later than the time it is published on the Office of the State Comptroller public website.

(c) Internet Publication.

(1) The Comptroller shall disclose on the Office of the State Comptroller public website, on at least an annual basis, the Retirement System's financial statement and comprehensive annual financial report.

(2) The Comptroller shall disclose on the Office of the State Comptroller public website, on at least an annual basis, all fees paid by the Fund to investment managers, consultants or advisors, and third party administrators.

(3) The Comptroller shall disclose on the Office of the State Comptroller public website the investment policies and procedures for the Fund.

(4) The Comptroller shall disclose on the Office of the State Comptroller public website, the procurement policies for the Fund.

(5) The Comptroller shall disclose on the Office of the State Comptroller public website the ethics standards and financial disclosure process applicable to Advisory Council and Committee members

(6) The Comptroller shall disclose on the Office of the State Comptroller public website the process for filing and investigation of complaints of abuse relating to the Retirement System or the Fund.

(7) The Comptroller shall disclose monthly on the Office of the State Comptroller public website Fund investment transactions.

(8) The Comptroller shall disclose on the Office of the State Comptroller public website quarterly updates to Fund performance.

VIII. Breach of Fiduciary Duty; Enforcement.

(a) The Comptroller, any officer or employee of the Office of the State Comptroller, or any other person or entity having a fiduciary responsibility to the Retirement System or the Fund, who willfully violates or knowingly participates in a violation of any fiduciary standard promulgated pursuant to Section 314 of the Insurance Law or other applicable law or regulation, shall be guilty of a breach of fiduciary responsibility.

(b) In the event the Superintendent determines that there is reasonable cause to believe that a breach has occurred, the Superintendent shall, after providing notice to the Comptroller or his or her designee, and to the subject officer or employee of the Office of the State Comptroller or such other person or entity having a fiduciary responsibility to the Fund, transmit a notice of reasonable cause to: the Temporary President of the Senate and the Speaker of the Assembly, if the notice relates to the Comptroller; or the Comptroller, if the notice relates to an officer or employee of the Office of the State Comptroller or to any other person or entity having a fiduciary responsibility to the Fund.

(c) In any case where the Superintendent determines that there is reasonable cause to believe that a breach by the Comptroller, an officer or employee of the Office of the State Comptroller, or any other person or entity having a fiduciary responsibility to the Fund, has resulted in a depletion of the Fund, the Superintendent, after providing notice to the Comptroller or the Comptroller's designee, may transmit a copy of his or her determination to the Attorney General or any other appropriate civil or criminal law enforcement authorities for any appropriate further action.

(d) In any case where the Superintendent's transmittal results in an adjudication that the Fund has been depleted by reason of any breach, the adjudication shall be published on the Office of the State Comptroller public website.

September 25, 2009