
POLICY REGARDING INDEPENDENCE OF CONSULTANTS PROVIDING INVESTMENT ADVISORY SERVICES

General Policy

To discharge the fiduciary duty of the Comptroller, as Trustee of the Common Retirement Fund (CRF), to the members, retirees and beneficiaries of the New York State and Local Retirement System, the CRF must be able to use best-in-class consultants as advisors and to invest assets with best-in-class investment managers.

The CRF has several contracts with consultants who provide investment advice, both with general consultants and with asset class level consultants. The CRF also has contracts and relationships with other consultants and advisors, including contracts with a "pool" of consultants available to provide such consulting services on a project basis. Persons and entities in all of the above relationships are referred to herein as "consultants". Some of these consultants or their affiliates also offer investment management services.

It is not uncommon in the investment industry for a firm that offers investment consulting services to also offer investment management services, often through an affiliate. However, this can present a potential for or the appearance of a conflict where a firm providing investment consulting services to a client approaches the same client seeking to also manage money for that client.

To balance the potentially competing goals of consultant independence and obtaining the best investment consulting services as well as the most attractive investment opportunities, it is the policy of the CRF that consultants providing investment advisory services to the CRF cannot seek to manage assets for the CRF, either directly or through their affiliates, during the term of the consulting services contract, unless specifically requested to do so by the Chief Investment Officer (CIO) of the CRF and subject to certain procedures set out herein to manage potential conflicts in such situations.

This policy will apply to consultants that currently provide investment advisory services to the CRF. Accordingly, the CRF will not consider any new investment opportunity with such a consultant or its affiliate, except as provided herein.

Language implementing this policy will be included in future contracts with consultants to provide investment advisory services to the CRF.

Disclosure of Other Lines of Business RFP, RFPI

Any request for proposals (RFP), request for proposals by invitation (RFPI) or similar solicitation of proposals from consultants to provide investment advice to the CRF shall include, without limitation, the following questions or requests for information:

1. Whether the proposer is an SEC registered investment advisor.
2. Proposer's other lines of business and approximate percentage of total revenue.
3. Proposer's investment allocation process among clients.
4. Potential conflicts, including economic or financial interests, fee or other compensation arrangements the proposer, its employees or affiliates have with sponsors (or affiliates) of private investment funds, other investment advisors, investment companies, broker dealers, municipal securities dealers and any other person or entity that could, or could be reasonably perceived to conflict with the proposer's ability to provide unbiased and objective investment advice to CRF.

Fiduciary Duty and Potential Conflicts

In all contracts for investment consulting services, the contracting party shall represent that it (i) does not have any conflict of interest not previously disclosed to the CRF in writing that could reasonably be expected to impair its ability to provide unbiased and objective investment advice or decisions, (ii) will promptly disclose in writing to the CRF any such conflict that it may have hereafter, and (iii) will annually file a statement with the CRF that it is in compliance with these requirements, which statement shall include the following language:

"[THE CONTRACTING PARTY] ACKNOWLEDGES THAT IT OWES THE COMPTROLLER AND THE FUND A FIDUCIARY DUTY. THIS MEANS THAT, AMONG OTHER THINGS, [THE CONTRACTING PARY] MUST DISCLOSE TO THE COMPTROLLER INFORMATION ABOUT MATERIAL CONFLICTS OF INTEREST. [THE CONTRACTING PARTY] ACKNOWLEDGES THAT FAILURE TO TRUTHFULLY COMPLETE THIS STATEMENT MAY RESULT IN CRIMINAL OR CIVIL LIABILITY."

Obligation to Protect Confidential Information

All contracts with consultants to provide investment advisory services to the CRF will include language obligating the consultant to protect confidential information pertaining to the CRF and to establish adequate internal control procedures to ensure that such confidentiality obligation is fulfilled.

Annual Compliance Questionnaire

All contracts with consultants to provide investment advisory services to the CRF will include language requiring that they complete the CRF's annual compliance questionnaire. The questionnaire will include questions to elicit information about potential conflicts with the interests of the CRF and how any such potential conflict is being managed.

Restrictions on Seeking Investments

All contracts with consultants to provide investment advisory services to the CRF will include language providing that the consultant shall not (a) directly or indirectly, for so long as the agreement remains in effect, seek any investment by or from the CRF with respect to an transaction with the consultant or any affiliate thereof unless specifically requested to do so by the CIO, or (b) use nonpublic information obtained from the provision of services under the consulting services contract in the execution of a particular private equity transaction. In addition, the consultant shall agree to establish appropriate internal compliance and monitoring procedures to prevent the occurrence of any of the foregoing.

Where an Exception Applies; Process

In the event the CIO requests that a consultant providing investment advisory services to the CRF present for consideration by the CRF an investment opportunity with a person or entity affiliated with the consultant, the following procedures will apply:

1. Before asking any consultant or an affiliate thereof to present an investment opportunity to the CRF, staff will make a written request to the CIO for approval to do so, detailing why such a presentation would be in the best interests of the CRF.
2. The staff request, CIO approval and the basis of the determination that it is in the best interests of the CRF will be documented in writing, included in the procurement record and provided to the Director of Compliance.
3. Personnel involved in the provision of consulting services to the CRF will not make such presentation or provide investment services, and must protect confidential information obtained in the course of providing consulting services.
4. A qualified consultant that is independent of the transaction will conduct the requisite due diligence and recommendation to the CRF regarding the potential investment.
5. In the context of the review of any transaction requiring REAC approval that may ultimately result from a presentation made under this exception, staff will report to REAC, that, at the request of the CIO, a person or entity affiliated with a CRF consultant presented the investment to the CRF, detailing how the potential conflict is being managed and explaining why this exception to the CRF's general policy precluding that circumstance is in the best interests of the Fund. With respect to other transactions that may result from a presentation made under this exception, staff will report the same information to the Internal Investment Committee (IIC) at the time such a proposed transaction is reviewed by IIC and to the Investment Advisory Committee (IAC) for its information after the transaction is concluded.