AN ACT to amend the retirement and social security law, the education law and the criminal procedure law, in relation to reforming the New York state public retirement system; and to repeal certain provisions of the retirement and social security law relating thereto.

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

Section 1. Short title. This act shall be known and may be cited as the “taxpayers’ reform for upholding security and transparency act.”

§ 2. Section 13 of the retirement and social security law, subdivision b as amended by chapter 369 of the laws of 1964, subdivision d as amended by chapter 460 of the laws of 1971, subdivision f as amended by chapter 376 of the laws of 1965, paragraph 2 of subdivision f as amended by chapter 908 of the laws of 1971, subdivision h as amended by chapter 496 of the laws of 1967, subdivision i as amended by chapter 1046 of the laws of 1973, subdivision j as added by chapter 510 of the laws of 1965 and subdivision k as added by chapter 841 of the laws of 1968, is renumbered section 13-a and amended to read as follows:

a. The funds of the retirement system shall be managed in accordance with this section.

b. The comptroller shall be [trustee] custodian of the several funds of the retirement system. Such funds shall be invested by the comptroller, as authorized by the employees’ retirement fund board, in securities in which he or she is authorized by law to invest the funds of the state, except that he or she may invest in obligations consisting of notes, bonds, debentures, or equipment trust certificates issued under an indenture, which are the direct obligations of, or in the case of equipment trust certificates are secured by direct obligations of, a railroad or industrial corporation, or a corporation engaged directly and primarily in the production, transportation, distribution, or sale of electricity or gas, or the operation of telephone or telegraph systems or waterworks, or in some combination of them; provided the obligor corporation is one which is incorporated under the laws of the United States, or any state thereof, or of the District of Columbia, and said obligations shall be rated at the time of purchase within the three highest classifications established by at least two standard rating services. The maximum amount that the comptroller may invest in such obligations shall not exceed thirty per centum of the assets of the New York state and local employees’ retirement system’s funds: and provided further that not more than two and one half per centum of the assets of the New York state and local employees’ retirement system’s funds shall be invested in the obligations of anyone corporation of the highest classification and subsidiary or subsidiaries thereof, that not more than two per centum of the assets of the New York state and local employees’...
retirement system’s funds shall be invested in the obligations of anyone corporation
of the second highest classification and subsidiary or subsidiaries thereof, that not
more than one and one half per centum of the assets of the New York state and local
employees' retirement system's funds shall be invested in the obligations of any one
corporation of the third highest classification and subsidiary or subsidiaries thereof.
He or she shall, however, be subject to all terms, conditions, limitations and
restrictions imposed by this article and by law upon the making of such investments.
The comptroller shall have full power, as authorized by the board:

1. To hold, purchase, sell, assign, transfer or dispose of any of the
   securities or investments, in which any of the funds of the retirement system shall be
   invested, including the proceeds of such investments and any monies belonging to
   such funds, and

2. In his or her name as [trustee] custodian, to foreclose mortgages
   upon default or to take title to real property in such proceedings in lieu thereof and to
   lease and sell real property so acquired.

c. The comptroller annually shall credit to each of the funds of the
   retirement system regular interest on the mean amount therein for the preceding year.

d. The custody of all funds of the retirement system shall be in the charge
   of the head of the division of the treasury of the department of taxation and finance,
   subject to the supervision and control of the commissioner of taxation and finance.

e. Payment of all pensions, annuities and other benefits shall be made as
   provided in this article. For the purpose of meeting disbursements for pensions,
annuities and other payments ordered by the comptroller, the head of such division may keep on deposit an available fund which shall not exceed ten per centum of the total amount of the several funds of the retirement system. Every such deposit shall be kept only in a bank or trust company organized under the laws of this state, or in a national bank located in this state, which shall furnish adequate security therefor.

f. The comptroller, however, shall have a fund in his or her immediate possession. Such fund shall be used for the immediate payment of:

1. All pensions, annuities and other benefits, and
2. Such expenses as may necessarily be incurred in acquiring, servicing and foreclosing mortgages and in acquiring, managing and protecting investments, and
3. Such special expenditures for which the retirement system will be paid by the state or a participating employer.

Such fund shall be reimbursed from time to time by the head of such division on the warrant of the comptroller.

g. Neither the comptroller, the members of the board nor any person employed on the work of the retirement system shall:

1. Except as herein provided, have any interest, direct or indirect, in the gains or profits of any investment of the retirement system, nor, in connection therewith, directly or indirectly, receive any payor emolument for his services.
2. Except as provided in section fifty of this article:
(a) Directly or indirectly, for herself or himself or as an agent or partner of others, borrow any of its funds or deposits or in any manner use the same except to make such current and necessary payments as are authorized by the comptroller, or

(b) Become an endorser, surety or an obligor in any manner of monies loaned by or borrowed of such funds.

h. The retirement system may use a part of its funds, not exceeding ten per centum of its assets, (1) for purchasing or leasing of land in the city of Albany and the construction thereon of a suitable office building or buildings for the transaction of the business of the retirement system and (2) for purchasing or leasing of land in the cities of Albany, Syracuse, Buffalo, Binghamton, New York, Rochester and Utica and the construction thereon of a suitable office building or buildings for purposes of lease or sale to the state and (3) for purchasing or leasing of land in the city of Albany on the north and south sides of Washington avenue commonly known as the “Campus Site” acquired by the state for a state buildings site pursuant to the provisions of chapter five hundred seventy-two of the laws of nineteen hundred forty-seven and the construction thereon of power plants including service connections, electric substations including service connections, garages, warehouses and restaurant facilities deemed necessary for the efficient and economical operation of the office building or buildings constructed on such land and (4) for purchasing or leasing of land in the city of Albany acquired by the state for suitable parking facilities for the use primarily of employees of the state and persons having business with state
departments and state agencies and the construction thereon of such structures, appurtenances and facilities deemed necessary for the efficient and economical operation of the parking facilities constructed on such land and (5) for purchasing or leasing of land in locations approved by the state university trustees and the construction, acquisition, reconstruction, rehabilitation or improvement of suitable buildings or facilities thereon for purposes of lease or sale to the state university construction fund, such buildings or facilities to be used by the state university or by state-operated institutions or statutory or contract colleges under the jurisdiction of the state university or by the students, faculty and staff of the state university or of any such state-operated institution or statutory or contract college— and their families and (6) for purchasing of lands from the New York state thruway authority and the construction thereon of an office building or other buildings for purposes of lease or sale to the thruway authority for its own use under such terms and conditions, including consideration and length of term, as shall be agreed upon between the retirement system and the thruway authority.

The retirement system from time to time may lease to any public agency any portion of a building constructed for the transaction of its business which may not be required for such purpose, upon such terms and conditions as shall be deemed to be for the best interest of the retirement system.

Real property of the retirement system acquired or constructed pursuant to this subdivision shall be exempt from taxation.
1. At the close of each fiscal year, the average rate of investment earnings of the retirement system shall be computed by the actuary and certified to the [comptroller] board. This rate shall be determined from the investment earnings during the calendar year which ended three months prior to the close of the fiscal year. For any year that such average rate of earnings is in excess of three per centum but not in excess of four per centum, the comptroller shall declare a rate of special interest, for members earning regular interest of three per centum, equal to the difference between such average rate of earnings and three per centum expressed to the lower one-tenth of one per centum, but not in excess of one per centum. For any year, commencing with the fiscal year the first day of which is April first, nineteen hundred seventy, that such average rate of earnings is in excess of four per centum, the special rate of interest for members earning regular interest of three per centum shall be equal to the difference between such average rate of earnings and three per centum expressed to the lower one-tenth of one per centum, but not in excess of two per centum, and for members earning regular interest of four per centum, it shall be the difference between such average rate of earnings and four per centum, expressed to the lower one-tenth of one per centum, but not in excess of one per centum. Special interest at such rates, shall be credited by the comptroller at the same time that regular interest is credited, to the individual annuity savings accounts of persons who are members as of the close of the fiscal year. Special interest shall not be considered in determining rates of contribution of members. In the case of persons who last became members on or after July first, nineteen hundred seventy-three, the provisions of this
subdivision shall apply only to the fiscal years beginning April first, nineteen hundred seventy-two and ending March thirty-first, nineteen hundred seventy-three.

j. The retirement system may invest, within the limitations authorized for investments in conventional mortgages, a part of its funds in first mortgages on real property located anywhere within the boundaries of the United States and leased to the government of the United States, provided however, that no such investment shall be made unless the terms of the mortgage shall provide for amortization payments in an amount sufficient to completely amortize the loan within the period of the lease.

k. The funds of the retirement system may be invested in the purchase of promissory notes or bonds from the farmers home administration issued in connection with the purchase or improvement of real property and which are insured by the farmers home administration.

§ 3. The retirement and social security law is amended by adding a new article 3-B to read as follows:

**ARTICLE 3-B**

**TRANSPARENCY IN THE STATE RETIREMENT SYSTEM; DISCLOSURE OF CERTAIN THIRD PARTY INTERESTS**

**Section**

156. **Definitions.**

156-a. **Disclosure of investment firm personnel.**

156-b. **Disclosure of all third-party compensation.**

156-c. **Disclosure of conflicts of interest.**
156-d. Publication of investment firm disclosures.

156-e. Mandatory reporting.

156-f. Disciplinary action.

156-g. Attorney general action.

156-h. Criminal sanctions.

156-i. Non-exclusivity of rights or remedies.

§ 156. Definitions.

As used in this article, the following terms shall have the following meanings unless otherwise specified:

1. “Board” shall mean the employee retirement fund board established within the department of audit and control by section four hundred twenty-one-a of this chapter.

2. “Conflicts of interest” shall mean an interest, financial or otherwise, direct or indirect, arising from any business or transaction or professional activity or any obligation of any nature, which is in apparent or actual conflict with the proper discharge of a person’s or entity’s fiduciary, statutory or contractual duties to act in the best interest of the retirement system’s members and/or beneficiaries.

3. “Contribution” shall mean any gift, subscription, loan, advance, deposit of money or thing of value made for:

   a. the purpose of supporting a candidate for or influencing any election for federal state or local office, including election to the board;
b. the payment of any debt incurred in connection with such election; or

c. the transition or inaugural expenses of the successful candidate for such election.

4. “Executive officer” shall mean the president, any vice president in charge of a principal business unit, division or function, such as sales, administration or finance, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions, for an investment firm.

5. “Investment firm” shall mean any person or entity who accepts an investment from or provides investment management services to the retirement system in connection with the management or investment of the retirement system’s trust funds or assets. “Investment firm” shall include, but not be limited to, any subsidiary or affiliate over which the investment firm exercises exclusive control.

6. “Investment firm employee” shall mean a person employed directly by an investment firm or a sponsored fund thereof, and who would be considered an employee for federal tax purposes. An “investment firm employee” shall not include a person who is hired, engaged, utilized or retained by the investment firm to secure or influence a particular transaction, investment or decision of the retirement system, retirement system official, retirement system advisor or other fiduciary of the retirement system.

7. “Investment management services” shall mean:
a. the business of making or recommending investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement system;

b. the business of advising or managing a separate entity that makes or recommends investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement system; or

c. the provision of any other financial advisory or consultant services to the retirement system, such as money management or fund management services, investment advice or consulting, and investment support services, including, but not limited to, market research, fund accounting, custodial services and fiduciary advice.

8. “Lobbying” shall mean any attempt to directly or indirectly influence a determination related to a procurement of investment management services by the retirement system, including, but not limited to, a determination by the retirement system to place an investment with the investment firm by:

a. a retirement system official;

b. any fiduciary of the retirement system;

c. a retirement system advisor; or

d. any other person or entity working in cooperation with any of the above.
9. “Lobbyist” shall mean any person or entity retained, employed or designated by any other person or entity to engage in lobbying. “Lobbyist” shall not include an investment firm employee.

10. “Relative” shall mean any person living in the same household as the individual and any person who is a direct descendant of such individual’s grandparents or who is the spouse of such descendant.

11. “Related party” shall mean any investment firm’s or sponsored fund’s partner, member, executive officer, director, employee or agent thereof. “Related party” shall not include limited partners of a sponsored fund or a managed account and portfolio companies of a sponsored fund are not related parties.

12. “Retirement system” shall mean the New York state and local employees’ retirement system and the New York state and local police and fire retirement system.

13. “Retirement system advisor” shall mean any external person or entity engaged by the retirement system to assist in the selection of investments or investment management services for the retirement system.

14. “Retirement system official” shall mean any elected or appointed trustee of the board, including, but not limited to, any incumbent or candidate or successful candidate for the office of comptroller, or other official, staff member or employee whose official duties involve responsibility for the retirement system.

15. “Sponsored fund” shall mean an investment fund sponsored, managed or advised by an investment firm.

An investment firm shall, prior to the closing of any investment with, or engagement to provide investment management services to, the retirement system, and by the last day of July and January during the term of such engagement, disclose to the board the following information:

1. the names and titles of each related party, other than administrative personnel, whose standard professional duties include contact with, or communication to or from, the retirement system, retirement system official, retirement system advisor or other fiduciary of the retirement system. If the related party is a current or former retirement system official, retirement system advisor or other fiduciary of the retirement system, or a relative of any of the foregoing, then the investment firm shall specifically note such information. Upon the board’s request, an investment firm shall provide the resume of any related party on that list, setting forth the person’s education, professional designations, regulatory licenses and investment and work experience;

2. a description of the responsibilities of each related party with respect to any investment with, or engagement to provide investment management services to, the retirement system;

3. whether any related party has been registered as a lobbyist with any state or the federal government in the past two years;

4. an update of any significant changes to any of the information included in the disclosure shall be included in the next semi-annual report; and
5. a certification from the chief operating officer of the investment firm of the accuracy regarding the information included in the semi-annual disclosures required by this article.

§156-b. Disclosure of all third-party compensation.

An investment firm shall provide to the board prior to the closing of any investment with, or engagement to provide investment management services to, the retirement system, the names and addresses of all third parties that the investment firm, in connection with an investment or transaction with the retirement system, compensates, including, but not limited to, any fees, commissions, and retainers paid by the investment firm to third parties, such as fees for legal, government relations, public relations, real estate or other professional advice services or assistance, and the amounts of such compensation.

§ 156-c. Disclosure of conflicts of interest.

1. An investment firm must promptly disclose to the board any apparent or actual conflict of interest in writing, including, but not limited to, any relationship between the investment firm, a related party or a relative of a related party, and any retirement system official, retirement system advisor or other fiduciary of the retirement system and any relatives of such persons.

2. An investment firm shall cure any conflict of interest by promptly eliminating the conflict of interest. If an investment firm cannot or does not wish to eliminate the conflict, then it shall terminate its relationship with the retirement system as promptly and responsibly as legally possible.
3. Provided an investment firm’s disclosure of a conflict of interest pursuant to this article is sufficient to inform the board of the nature and extent of the conflict of interest, the board alone may determine that the investment firm’s steps to cure the conflict of interest are sufficient.

4. If an investment firm is uncertain whether it has or would have a conflict of interest, then the investment firm shall promptly inform the board, which shall determine whether an actual conflict of interest exists or will exist.

5. If an investment firm discloses a conflict of interest to the board, it shall refrain from providing investment management services in connection with matters generated by the conflict of interest until the board determines that the investment firm need not take further action to cure the conflict of interest or until the conflict of interest is in fact cured.

6. An investment firm shall ensure that the governing documents of each sponsored fund in which the retirement system invests contain provisions for how to address material conflicts of interest between the investment firm or any related party.

§ 156-d. Publication of investment firm disclosures.

An investment firm shall publish all disclosures and certifications required by this article on the investment firm’s website. The board shall also publish these disclosure and certifications on the department of audit and control’s website.

§ 156-e. Mandatory reporting.

Any person or entity licensed, certified by or registered with any state agency that has a reasonable basis to believe that there has been a violation of the provisions
of this article by any individual or entity shall report to the board and the attorney
general evidence of the violation.

§ 156-f. Disciplinary action.

A willful violation of the provisions of this article is a ground for discipline
against any person holding a license, certification or the like issued by a state agency.

§ 156-g. Attorney general action.

Where a violation of the provisions of this article is alleged to have occurred,
the attorney general of the state of New York may apply in the name of the people of
the state of New York to the supreme court of the state of New York on notice of five
days, for an order or injunction enjoining a person or entity from engaging in the
commission or continuance of any conduct in violation of this article and/or imposing
any such other or further relief as the court may consider just and equitable. In any
such proceeding, the court shall impose a civil penalty in an amount not to exceed one
hundred thousand dollars per violation.

§ 156-h. Criminal sanctions.

Any person who willfully and intentionally violates any provision of this
article is guilty of a misdemeanor punishable by a fine not to exceed twenty five
thousand dollars or by imprisonment not to exceed six months or by both such fine
and imprisonment. For any second or subsequent violation, the person is guilty of a
felony punishable by imprisonment not exceeding two years, or by a fine not
exceeding one hundred thousand dollars, community service of not more than one
thousand hours, or any combination thereof. Prosecution hereunder may be
conducted by the attorney general or the district attorney.

§ 156-i. Non-exclusivity of rights or remedies.

Nothing in this section shall be construed to limit, in any manner, any rights or remedies otherwise available under law to any person or entity, including, but not limited to, the attorney general, the comptroller and the superintendent of insurance.

§ 4. Section 302 of the retirement and social security law is amended by adding a new subdivision 7-a to read as follows:

7-a. “Employees’ retirement fund board” or “board.” The entity established within the department of audit and control by section four hundred twenty-one-a of this chapter.

§ 4. Subdivision a of section 311 of the retirement and social security law, as added by chapter 1000 of the laws of 1966, is amended to read as follows:

§ 311. Duties of comptroller; the actuary.

a. The comptroller shall, in consultation with the employees’ retirement fund board, be the administrative head of the [policemen's and firemen’s] New York state and local police and fire retirement system. Subject to the limitations of this article and of law, and as authorized by the board, [he] the comptroller shall adopt and may amend, from time to time, rules and regulations for the administration and transaction of the business of the [policemen's and firemen's] New York state and local police and fire retirement system and for the custody [and control] of its funds. The comptroller, as authorized by the board, shall:

1. Maintain all necessary accounting records, and
2. Keep in convenient form such data as shall be necessary for the actuarial valuation of the various funds of the policemen's and firemen's retirement system, and

3. Establish funds, [in addition to] other than those provided for by this article, which in his or her judgment are necessary or required for the proper fiscal management of the [policemen's and firemen's] New York state and local police and fire retirement system, and

4. Perform such other functions as are required for the execution of the provisions of this article.

b. The comptroller shall, in consultation with the board, engage the services of an actuary and may employ such other necessary technical and administrative assistance as he or she may require. For the purpose of determining upon the proper tables to be prepared and submitted to the comptroller for adoption, the actuary, from time to time, but at least once in each five years, shall make such investigation of the mortality, service and compensation experience of the members as the comptroller may authorize. On the basis of such investigation and upon the recommendations of the actuary, the comptroller, as authorized by the board, shall:

1. Adopt for the [policemen's and firemen's] New York state and local police and fire retirement system such mortality and other tables as shall be deemed necessary, and
2. Certify the rates of deduction, if any, from compensation computed to be necessary to pay the annuities authorized under the provisions of this article.

3. From time to time, but at least once in each five years, promulgate a rate or rates of estimated future investment earnings.

4. From time to time, but at least once in every five years, promulgate a rate or rates of regular interest.

c. On the basis of such aforesaid tables and an estimated rate or rates of future investment earnings as the comptroller, in consultation with the board, shall adopt:

1. The actuary shall make an annual valuation of the assets and liabilities of the funds of the [policemen's and firemen's] New York state and local police and fire retirement system, and

2. The comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

d. The comptroller, in consultation with the board, shall make an annual report showing the valuation of the assets and liabilities of the funds of the [policemen's and firemen's] New York state and local police and fire retirement system, as certified by the actuary, a statement of receipts and disbursements and his recommendations in regard thereto. Such report shall be published with and as a part of the annual report of the comptroller.
e. Special interest, if any, shall be credited annually in the same manner as regular interest pursuant to subdivision i of section three hundred thirteen of this article to the individual annuity savings accounts of persons who are members as of the close of the fiscal year.

f. The records of the [policemen's and firemen's] New York state and local police and fire retirement system shall be open to public inspection.

g. The comptroller, as authorized by the board, shall adopt and amend pursuant to this article only such rules and regulations as he determines to be for the best interest of the retirement system and its members.

§ 6. Section 313 of the retirement and social security law, as added by chapter 1000 of the laws of 1966, subdivision d as amended by chapter 460 of the laws of 1971, paragraph 2 of subdivision f as amended by chapter 908 of the laws of 1971 and subdivision i as amended by chapter 1046 of the laws of 1973, is amended to read as follows:

§ 313. Management of funds.

a. The funds of the [policemen’s and firemen’s] New York state police and fire retirement system shall be managed in accordance with this section.

b. The members of the employees’ retirement fund board shall be trustees of the several funds of the New York state and fire retirement system and the comptroller shall be [trustee] custodian of such [the several] funds [of the policemen’s and firemen’s retirement system]. Such funds shall be invested by the comptroller, as authorized by the board, in securities in which he or she is authorized by law to invest.
the funds of the state, except that he or she may invest in obligations consisting of
notes, bonds, debentures or equipment trust certificates issued under an indenture,
which are the direct obligations of, or in the case of equipment trust certificates are
secured by direct obligations of, a railroad or industrial corporation, or a corporation
engaged directly and primarily in the production, transportation, distribution, or sale
of electricity, or gas, or the operation of telephone or telegraph systems or
waterworks, or in some combination of them; provided the obligor corporation is one
which is incorporated under the laws of the United States, or any state thereof, or of
the District of Columbia, and said obligations shall be rated at the time of purchase
within the three highest classifications established by at least two standard rating
services. The maximum amount that the comptroller, as authorized by the employees’
retirement fund board, may invest in such obligations shall not exceed thirty per
centum of the assets of the New York state [policemen’s and firemen’s] and local
police and fire retirement system’s funds; and provided further that not more than two
and one-half per centum of the assets of the New York state policemen’s and
firemen’s retirement system’s funds shall be invested in the obligations of any one
corporation of the highest classification and subsidiary or subsidiaries thereof, that not
more than two per centum of the assets of the New York state [policemen’s and
firemen’s] and local police and fire retirement system’s funds shall be invested in the
obligations of any one corporation of the second highest classification and subsidiary
or subsidiaries thereof, that not more than one and one-half per centum of the assets
of the New York state policemen’s and firemen’s retirement system’s funds shall be

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
invested in the obligations of any one corporation of the third highest classification and subsidiary or subsidiaries thereof. [He] The board shall, however, be subject to all terms, conditions, limitations and restrictions imposed by this article and by law upon the making of such investments. The comptroller, as authorized by the board, shall have full power:

1. To hold, purchase, sell, assign, transfer or dispose of any of the securities or investments, in which any of the funds of the [policemen’s and firemen’s] New York state and local police and fire retirement system shall be invested, including the proceeds of such investments and any monies belonging to such funds, and

2. In his or her name as [trustee] custodian, to foreclose mortgages upon default or to take title to real property in such proceedings in lieu thereof and to lease and sell real property so acquired.

c. The comptroller, as authorized by the employees’ retirement fund board, annually shall credit to each of the funds of the [policemen’s and firemen’s] New York state and local police and fire retirement system regular interest on the mean amount therein for the preceding year.

d. The custody of all funds of the [policemen’s and firemen’s] New York state and local police and fire retirement system shall be in the charge of the head of the division of the treasury of the department of taxation and finance, subject to the supervision and control of the commissioner of taxation and finance.
e. Payment of all pensions, annuities and other benefits shall be made as provided in this article. For the purpose of meeting disbursements for pensions, annuities and other payments ordered by the comptroller, the head of such division may keep on deposit an available fund which shall not exceed ten per centum of the total amount of the several funds of the [policemen’s and firemen’s] New York state and local police and fire retirement system. Every such deposit shall be kept only in a bank or trust company organized under the laws of this state, or in a national bank located in this state, which shall furnish adequate security therefor.

f. The comptroller, however, shall have a fund in his or her immediate possession. Such fund shall be used for the immediate payment of:

1. All pensions, annuities and other benefits, and
2. Such expenses as may necessarily be incurred in acquiring, servicing and foreclosing mortgages and in acquiring, managing and protecting investments, and
3. Such special expenditures for which the [policemen’s and firemen’s] New York state and local police and fire retirement system will be paid by the state or a participating employer. Such fund shall be reimbursed from time to time by the head of such division on the warrant of the [comptroller] board.

g. Neither the comptroller nor any person employed on the work of the [policemen’s and firemen’s] New York state and local police and fire retirement system shall:
1. Except as herein provided, have any interest, direct or indirect, in the gains or profits of any investment of the [policemen’s and firemen’s] New York state and local police and fire retirement system, nor, in connection therewith, directly or indirectly, receive any pay or emolument for his services.

2. Except as provided in section three hundred fifty of this article:

   (a) Directly or indirectly, for himself or as an agent or partner of others, borrow any of its funds or deposits or in any manner use the same except to make such current and necessary payments as are authorized by the [comptroller] board, or

   (b) Become an endorser, surety or an obligor in any manner of monies loaned by or borrowed of such funds.

h. The [policemen’s and firemen’s] New York state and local police and fire retirement system may use a part of its funds, not exceeding ten per centum of its assets, (1) for purchasing or leasing of land in the city of Albany and the construction thereon of a suitable office building or buildings for the transaction of the business of the retirement system, (2) for purchasing or leasing of land in the cities of Albany, Syracuse, Buffalo, Binghamton, New York, Rochester and Utica and the construction thereon of a suitable office building or buildings for purposes of lease or sale to the state, (3) for purchasing or leasing of land in the city of Albany on the north and south sides of Washington avenue commonly known as the “Campus Site” acquired by the state for a state building site pursuant to the provisions of chapter five hundred seventy-two of the laws of nineteen hundred forty-seven and the construction thereon
of power plants including service connections, electric substations including service
connections, garages, warehouses and restaurant facilities deemed necessary for the
efficient and economical operation of the office building or buildings constructed on
such land and (4) for purchasing or leasing of land in the city of Albany acquired by
the state for suitable parking facilities for the use primarily of employees of the state
and persons having business with state departments and state agencies and the
construction thereon of such structures, appurtenances and facilities deemed
necessary for the efficient and economical operation of the parking facilities
constructed on such land and (5) for purchasing or leasing of land in locations
approved by the state university trustees and the construction, acquisition,
reconstruction, rehabilitation or improvement of suitable buildings or facilities
thereon for purposes of lease or sale to the state university construction fund, such
buildings or facilities to be used by the state university or by state-operated
institutions or statutory or contract colleges under the jurisdiction of the state
university or by the students, faculty and staff of the state university or of any such
state-operated institution or statutory or contract college, and their families. The
policemen’s and firemen’s retirement system from time to time may lease to any
public agency any portion of a building constructed for the transaction of its business
which may not be required for such purpose, upon such terms and conditions as shall
be deemed to be for the best interest of the [policemen’s and firemen’s] New York
state and local police and fire retirement system. Real property of the [policemen’s

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
and firemen’s] New York state and local police and fire retirement system acquired or
constructed pursuant to this subdivision shall be exempt from taxation.

i. At the close of each fiscal year, the average rate of investment earnings
of the retirement system shall be computed by the actuary and certified to the
[comptroller] board. This rate shall be determined from the investment earnings
during the calendar year which ended three months prior to the close of the fiscal
year. For any year that such average rate of earnings is in excess of three per centum
but not in excess of four per centum, the [comptroller] board shall declare a rate of
special interest, for members earning regular interest of three per centum, equal to the
difference between such average rate of earnings and three per centum, expressed to
the lower one-tenth of one per centum, but not in excess of one per centum. For any
year, commencing with the fiscal year the first day of which is April first, nineteen
hundred seventy, that such average rate of earnings is in excess of four per centum,
the special rate of interest for members earning regular interest of three per centum
shall be equal to the difference between such average rate of earnings and three per
centum, expressed to the lower one-tenth of one per centum, but not in excess of two
per centum, and for members earning regular interest of four per centum, it shall be
the difference between such average rate of earnings and four per centum, expressed
to the lower one-tenth of one per centum, but not in excess of one per centum. Special
interest at such rates, shall be credited, by the comptroller at the same time that
regular interest is credited, to the individual annuity savings accounts of persons who
are members as of the close of the fiscal year. Special interest shall not be considered
in determining rates of contribution of members. In the case of persons who last became members on or after July first, nineteen hundred seventy-three, the provisions of this subdivision shall apply only to the fiscal years [year] beginning April first, nineteen hundred seventy-two and ending March thirty-first, nineteen hundred seventy-three.

j. The retirement system may invest, within the limitations authorized for investments in conventional mortgages, a part of its funds in first mortgages on real property located anywhere within the boundaries of the United States and leased to the government of the United States, provided however, that no such investment shall be made unless the terms of the mortgage shall provide for amortization payments in an amount sufficient to completely amortize the loan within the period of the lease.

§ 7. Subdivision 4 of section 421 of the retirement and social security law is REPEALED and a new subdivision 4 is added to read as follows:

4. The term “employees retirement fund board” or “board” shall mean the entity established within the department of audit and control by section four hundred twenty-one-a of this chapter.

§ 8. Section 421 of the retirement and social security law is amended by adding seven new subdivisions 6, 7, 8, 9, 10, 11 and 12 to read as follows:

6. The term “attorney general” shall mean the state attorney general.

7. The term “employees' retirement fund board” or “board” shall mean the entity established within the department of audit and control by section four hundred twenty-one-a of this article.
8. The term “governor” shall mean the governor of the state.

9. The term “temporary president of the senate” shall mean the temporary president of the state senate.

10. The term “minority leader of the senate” shall mean the minority leader of the state senate.

11. The term “speaker of the assembly” shall mean the speaker of the state assembly.

12. The term “minority leader of the assembly” shall mean the minority leader of the state assembly.

§ 9. The retirement and social security law is amended by adding a new section 421-a to read as follows:

§ 421-a. The employees’ retirement fund board.

a. There is hereby established within the department of audit and control the employees’ retirement fund board. The board shall consist of:

1. the comptroller;

2. one member appointed by the governor who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years;

3. one member appointed by the attorney general who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years;
4. one member appointed by the temporary president of the senate who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years;

5. one member appointed by the minority leader of the senate who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years;

6. one member appointed by the speaker of the assembly who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years; and

7. one member appointed by the minority leader of the assembly who shall be experienced in the field of investments, and further, who shall not have been an employee of the retirement system in the preceding three years;

8. six members, selected under the supervision of the board as follows:

   (a) two active members elected by the active membership of the retirement system;

   (b) one retired member elected by the retired membership of the retirement system;

   (c) one county employee member elected by the county employees of the local retirement system;

   (d) one village, town or city employee member elected by village, town or city employees of the local retirement system; and
(e) one member of the New York state local police and fire retirement system elected by employees of such retirement system;

b. The chair of the board shall be the comptroller.

c. The members of the board shall be the trustees of the several funds of the retirement system, shall owe such funds and its members a fiduciary duty, and shall within ten days after his or her designation, take the oath of office set forth in article XIII, section 1 of the state constitution and cause the same to be filed in the office of secretary of state.

d. Except for the comptroller, the term for each member of the board shall be four years; provided, however, that of the members initially appointed to the board, the term of the governor’s appointee shall be four years; the term of the attorney general’s appointee shall be three years; the terms of the appointees of the temporary president, speaker of the assembly, minority leader of the senate and minority leader of the assembly shall be three years; and the six members selected under paragraph five of subdivision a of this section shall serve a term of two years. Appointed members of the board may be reappointed upon the completion of their term in office. Vacancies to the board shall be filled in the same manner as original appointments.

e. With respect to the selection of members of the board under paragraph eight of subdivision a of this section, the board shall cause ballots to be distributed to each active and retired member of the system in advance of each election, and shall provide for the return of the voted ballots to the board without cost to the member, and shall develop election procedures. The results shall be certified by the secretary
of state. The board may require all persons who perform election duties to certify, under penalty of perjury, that they properly performed those duties. As provided for by the board, in consultation with the board of elections, candidates for board seats described in paragraph eight of subdivision a of this section shall file campaign statements with the secretary of state no later than two days before the beginning of the ballot period, as determined by the board for the period ending five days before the beginning of the ballot period. All campaign statements filed under this section shall be signed and verified by the filer. The verification shall state that the filer has used reasonable diligence in its preparation, and that to the best of his or her knowledge it is true and complete.

f. Except for the comptroller, members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred through service on the board. Members of the board who are not otherwise employed by the state of New York shall receive one hundred dollars for every day or portion thereof of actual attendance at meetings of the board or any meeting of any committee of the board and which meeting is conducted for the purpose of carrying out the powers and duties of the board, together with their necessary traveling expenses incurred in connection with performance of their official duties. Members of the board who are employed by the state of New York shall, to the extent practicable, be released from work to the extent necessary so that they may discharge their duties and obligations as board members.

g. A quorum of the board is seven members.
h. The board shall appoint as employees who serve at its pleasure an executive officer, a chief actuary, a chief investment officer, a benefits professional, and other investment officers and portfolio managers, and shall fix their compensation. When fixing the compensation for such positions the board shall, consistent with existing law, be mindful of its fiduciary responsibility to its members to recruit and retain highly qualified and effective employees for these positions.

i. The board may appoint a committee of one or more of its members to perform any act within the power of the board itself to perform. The board may also delegate authority to the executive officer to perform those acts. Except where the board, in delegating authority to a committee or the executive officer, provides that the committee or the executive officer may act finally, all acts of the committee or the executive officer shall be reported to the board, at its next regular meeting, and shall be subject to review and ratification or reversal by the board.

j. Reversal by the board of any act of the committee or the executive officer shall be effective as of the date fixed by the board, but payment of benefits prior to board action shall not be affected by that action, except for such recovery of amounts paid from the person to whom they were paid as the board may direct.

k. The executive officer may delegate to his or her subordinates any act or duty unless the board by motion or resolution recorded in the minutes has required him or her to act personally.

l. The board may promulgate such rules and regulations as it deems proper; provided, however, that within one year of the effective date of this section.

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the board shall promulgate rules and regulations that address retirement system
governance matters which include, but are not limited to:

1. a code of ethics applicable to board members, retirement system
staff, employees and other retirement system fiduciaries;

2. a process requiring all persons covered by the retirement
system’s conflict of interest policy to report and disclose potential, actual or apparent
conflicts of interest;

3. a policy for addressing, in a transparent fashion, situations
giving rise to potential, actual or apparent conflicts of interest;

4. a policy for processing and reviewing any and all information
disclosed to the board by investment firms pursuant to the provisions of article 3-B of
the retirement and social security law.

5. verification by board members and other retirement system
staff, employees and other retirement system fiduciaries that each is in compliance
with applicable regulatory requirements, the retirement system’s governance
standards, policies and procedures, code of ethics, standards governing reporting of
the retirement system's performance, rules governing and retaining appropriate
records and documents, rules governing personal investment transactions, and the
suitability of all investments made by the retirement system in the current or previous
year given the retirement system's standards, investment objectives, and investment
policies; and
6. Public disclosure of relevant and appropriate information regarding the operation and function of the board.

m. Individuals appointed or elected to the board shall participate in training, developed and administered by the department of audit and control in consultation with the attorney general and the superintendent of insurance, regarding their legal, fiduciary, financial and ethical responsibilities as trustees within one year of appointment to a board. Board members shall participate in such continuing training as may be required to remain informed of best practices, regulatory and statutory changes relating to the effective oversight of the management and financial activities of the retirement system and to adhere to the highest standards of responsible governance.

n. The common retirement fund, shall hold harmless and indemnify all members of the board of trustees, officers and employees of the common retirement fund from financial loss arising out of any claim, demand, suit, action, proceeding or judgment by reason of alleged negligence or other act by such board member, officer or employee provided that such board member, officer or employee at the time of such alleged negligence or act was acting in the discharge of their duties and within the scope of their employment and that such damages did not result from the willful and wrongful act or gross negligence of such board member, officer or employee and provided further that such board member, officer or employee shall, within five days of the time after the date on which they are personally served with or receive actual
notice of any summons, complaint, process, notice, demand, claim or pleading,
deliver the original or a copy thereof to the common retirement fund’s legal advisor.

§ 10. Section 422 of the retirement and social security law, as added by chapter 306 of the laws of 1967, is amended to read as follows:

§ 422. Establishment of a common retirement fund.

1. There is hereby established a fund, in the custody of the comptroller, to be known as the common retirement fund. Notwithstanding any other provision of this chapter, all of the assets and income of the employees' retirement system and of the [policemen’s and firemen’s] New York state and local police and fire retirement system shall be held by the comptroller as [trustee] custodian of such fund, except as such assets and income may be allocated or distributed to the funds of each retirement system by the comptroller.

2. The fund shall consist initially of the total assets of the employees’ retirement system as of March thirty-first, nineteen hundred sixty-seven, as such assets are defined in subdivision a of section two hundred ninety-three of this chapter. After the annual valuation of the assets and liabilities of the employees' retirement system and the determination relating to assets and liabilities required by subdivision b of section two hundred ninety-three of this chapter, the comptroller shall credit to each retirement system a participating interest in the assets of such fund in the proportion and percentage that the assets of each retirement system bear to the total assets of the common retirement fund. On March thirty-first, nineteen hundred sixty-eight, and at the close of each succeeding fiscal year, the comptroller shall credit each

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retirement system with a participating interest in such fund in the proportion and
percentage that the interest attributable to each retirement system bears to the total
assets of such fund, after considering contributions, earnings, disbursements and
expenses attributable to each system.

§11. Section 423 of the retirement and social security law, as amended by
chapter 770 of the laws of 1970, is amended to read as follows:

§ 423. Investments. [a. On and after April first, nineteen hundred sixty-seven,
the comptroller]

1. The comptroller, as authorized by the employees’ retirement fund
board, shall invest the available monies of the common retirement fund in any
investments and securities authorized by law for each retirement system and shall
hold such investments in his or her name as [trustee] custodian of such fund,
notwithstanding any other provision of this chapter. Participating interests in such
investments shall be credited to each retirement system in the manner and at the time
specified in [paragraph] subdivision two of section four hundred twenty-two of this
article.

[b.] 2. To assist in the management of the monies of the common retirement
fund, the comptroller, as authorized by the board, shall appoint an investment
advisory committee consisting of not less than seven members who shall serve for his
term of office. A vacancy occurring from any cause other than expiration of term
shall be filled by the comptroller for the remainder of the term. Each member of the
committee shall be experienced in the field of investments and shall have served, or
shall be serving, as a senior officer or member of the board of an insurance company, banking corporation or other financial or investment organization authorized to do business in the state of New York. The committee shall advise the [comptroller] board on investment policies relating to the monies of the common retirement fund and shall review, from time to time, the investment portfolio of the fund and make such recommendations as may be deemed necessary.

3. The comptroller, as authorized by the board, shall appoint a separate mortgage advisory committee, with the advice and consent of the investment advisory committee, to review proposed mortgage and real estate investments by the common retirement fund. In making investments, as authorized by law, the [comptroller] board shall be guided by policies established by each committee from time to time; and, in the event the mortgage advisory committee disapproves a proposed mortgage or real estate investment, such shall not be made.

4. No officer or employee of any state department or agency shall be eligible for membership on either committee. Each committee shall convene periodically on call of the comptroller, or on call of the chairman. The members of each committee shall be entitled to reimbursement for their actual and necessary expenses but shall receive no compensation for their services.

§ 12. Subdivisions 2 and 3 of section 423-a of the retirement and social security law, as added by chapter 112 of the laws of 1986, are amended to read as follows:

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2. On or before the first day of January of each year, the comptroller, as authorized by the employees’ retirement fund board, shall determine the existence of affirmative action taken by institutions or companies doing business in Northern Ireland to eliminate ethnic or religious discrimination based on actions taken for:

(a) Increasing the representation of individuals from underrepresented religious groups in the workforce including managerial, supervisory, administrative, clerical and technical jobs.

(b) Providing adequate security for the protection of minority employees both at the workplace and while travelling to and from work.

(c) The banning of provocative religious or political emblems from the workplace.

(d) Publicly advertising all job openings and making special recruitment efforts to attract applicants from underrepresented religious groups.

(e) Providing that layoff, recall, and termination procedures should not in practice favor particular religious groupings.

(f) The abolition of job reservations, apprenticeship restrictions, and differential employment criteria, which discriminate on the basis of religion or ethnic origin.

(g) The development of training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.
(h) The establishment of procedures to assess, identify, and actively recruit minority employees with potential for further advancement.

(i) The appointment of senior management staff members to oversee affirmative action efforts and the setting up of timetables to carry out affirmative action principles.

3. Consistent with sound investment policy, the [comptroller] board shall invest the assets of the common retirement fund in such a manner that the investments in institutions doing business in or with Northern Ireland shall reflect the advances made by such institutions in eliminating discrimination as established pursuant to subdivision two of this section.

§ 13. Section 423-b of the retirement and social security law, as added by chapter 624 of the laws of 1999, is amended to read as follows:

§ 423-b. New York state venture capital program.

The comptroller, as authorized by the employees’ retirement fund board, is hereby authorized to establish within the common retirement fund a New York state venture capital program for the purpose of investing in qualified businesses as defined in paragraph [six] seven of subdivision (a) of section eleven of the tax law. The comptroller, as authorized by the board, may [is authorized to] invest up to two hundred fifty million dollars of assets of the common retirement fund to carry out the purposes of this section. The comptroller, as authorized by the board, may make investments pursuant to this section in partnerships, corporations, trusts or limited liability companies organized on a for profit basis that enter into agreements to invest

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the moneys of the New York state venture capital program in qualified businesses. The comptroller, as authorized by the board, shall make such investments consistent with the provisions of paragraph (b) of subdivision nine of section one hundred seventy-seven of this chapter. The [comptroller] board may establish procedures necessary to insure that investments of moneys of the New York state venture capital program are, for each investment in a qualified business, equitably matched by investments made by other sources. The [comptroller] board shall, to the maximum extent practicable, insure that the geographic distribution of investments in the program is in proportion to the state population.

§ 14. Section 424 of the retirement and social security law, as added by chapter 306 of the laws of 1967, is amended to read as follows:

§ 424. Distribution of earnings. At the close of each fiscal year, the average rate of investment earnings of the common retirement fund shall be computed by the actuary and certified to the comptroller. This rate shall be determined from the investment earnings during the calendar year, which ended three months prior to the close of the fiscal year. The amount of such earnings attributable to each retirement system shall be computed by the actuary and certified to the [comptroller] board, [who] which shall thereupon credit each retirement system in accordance therewith.

§ 15. Section 425 of the retirement and social security law, as added by chapter 306 of the laws of 1967, is amended to read as follows:

§ 425. Separability of retirement systems. No provision of this article shall be construed as an impairment of the separability of or of the corporate powers and
privileges of the employees' retirement system or the policemen's and firemen's retirement system. The comptroller, as authorized by the employees’ retirement fund board, shall establish or continue separate funds and accounts for each retirement system, consistent with the common retirement fund herein provided for, as may be required to carry out the separate purposes and privileges of each retirement system.

§ 16. The retirement and social security law is amended by adding a new article 22 to read as follows:

ARTICLE 22

STANDARDS AND CONDUCT OF THIRD PARTIES

Section

1110. Definitions.

1111. Placement agents or lobbyists prohibited.

1112. No campaign contributions or solicitations.

1113. Internal controls and procedures.

1114. Certain employment prohibited.

1115. Prohibition of certain financial relationships.

1116. Certain contacts prohibited.

1117. Gifts.

1118. Mandatory reporting.

1119. Disciplinary action.

1120. Attorney General action.

1121. Criminal sanctions.
1122. Non-exclusivity of rights or remedies.

1110. Definitions.

As used in this article, the following terms shall have the following meanings unless otherwise specified:

1. “Board” shall mean the employee retirement fund board established within the department of audit and control by section four hundred twenty-one-a of this chapter.

2. “Conflict of interest” shall mean an interest, financial or otherwise, direct or indirect, arising from any business or transaction or professional activity or any obligation of any nature, which is in apparent or actual conflict with the proper discharge of a person’s or entity’s fiduciary, statutory or contractual duties to act in the best interest of the retirement system’s members and/or beneficiaries.

3. “Contribution” shall mean any gift, subscription, loan, advance, deposit of money or thing of value made for:

(a) the purpose of supporting a candidate for or influencing any election for federal state or local office, including election to the board;

(b) the payment of any debt incurred in connection with such election; or

(c) transition or inaugural expenses of the successful candidate for such election.

4. “Executive officer” shall mean the president, any vice president in charge of a principal business unit, division or function (such as sales, administration

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or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions, for an investment firm.

5. “Investment firm” shall mean any person or entity that accepts an investment from or provides investment management services to the retirement system in connection with the management or investment of the retirement system’s trust funds or assets. “Investment firm” shall include but not be limited to any subsidiary or affiliate over which the investment firm exercises exclusive control.

6. “Investment firm employee” shall mean a person employed directly by an investment firm or a sponsored fund thereof, and who would be considered an employee for federal tax purposes. “Investment firm employee” shall not include a person who is hired, engaged, utilized or retained by the investment firm to secure or influence a particular transaction, investment or decision of the retirement system, retirement system official, retirement system advisor or other fiduciary of the retirement system.

7. “Investment management services” shall mean:

   a. The business of making or recommending investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement system;

   b. the business of advising or managing a separate entity that makes or recommends investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement system; or
c. the provision of any other financial advisory or consultant services to the retirement system, such as money management or fund management services, investment advice or consulting, and investment support services, including, but not limited to, market research, fund accounting, custodial services and fiduciary advice.

8. “Lobbying” shall mean any attempt to directly or indirectly influence a determination related to a procurement of investment management services by the retirement system, including, but not limited to, a determination by the retirement system to place an investment with the investment firm by:

   a. a retirement system official;
   b. any fiduciary of the retirement system;
   c. a retirement system advisor; or
   d. any other person or entity working in cooperation with any of the above.

9. “Lobbyist” shall mean any person or entity retained, employed or designated by any other person or entity to engage in lobbying. “Lobbyist” shall not include a investment firm employee.

10. “Placement agent” shall mean any person or entity, including, but not limited to, a lobbyist, solicitor, intermediary or consultant, that is directly or indirectly hired, engaged, utilized, retained or compensated (regardless of whether upon a fixed, contingent or any other basis) or otherwise given any other tangible or intangible item or benefit having monetary value by the investment firm for the purpose of
promoting, facilitating or soliciting the placement with the investment firm of an investment by the retirement system. A placement agent shall not include a bona fide employee of the investment firm or any person whose sole basis of compensation from the investment firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance unrelated to soliciting, introducing, finding, or referring clients to the investment firm or attempting to influence in any way an existing or potential investment in or business relationship with the investment firm.

11. “Relative” shall mean any person living in the same household as the individual and any person who is a direct descendant of that individual’s grandparents or who is the spouse of such descendant.

12. “Related party” shall mean any investment firm’s or sponsored fund’s partner, member, executive officer, director, employee or agent thereof. “Related party” shall not include limited partners of a sponsored fund or a managed account and portfolio companies of a sponsored fund are not related parties.

13. “Retirement system” shall mean the New York state employees’ retirement system and the New York state and local police and fire retirement system.

14. “Retirement system advisor” shall mean any external person or entity engaged by the retirement system to assist in the selection of investments or investment management services for the retirement system.
15. “Retirement system official” shall mean any elected or appointed trustee of the board, including, but not limited to, any incumbent or candidate or successful candidate for the office of comptroller, or other official, staff member or employee whose official duties involve responsibility for the retirement system.

16. “Solicitor” shall mean any person or entity that, in any way, directly or indirectly, solicits, finds, introduces or refers any other person or entity to the investment firm, including, but not limited to, any intermediary, consultant, broker, introducer, referrer, finder, public- or government-relations expert or marketer. A “solicitor” shall not include any investment firm employee or any person whose sole basis of compensation from the investment firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of persons or entities to the investment firm or the brokering, fostering, establishing or maintaining of a relationship between the investment firm and the retirement system.

17. “Sponsored fund” shall mean an investment fund sponsored, managed or advised by an investment firm.

§ 1111. Placement agents prohibited.

1. An investment firm shall not directly or indirectly hire, engage, utilize, retain or compensate any person or entity, including, but not limited to, a placement agent, to directly or indirectly communicate for any purpose with any retirement system official in connection with any investment or engagement between the investment firm and the retirement system, including, but not limited to:
a. introducing, finding, referring, facilitating, arranging, expediting, fostering or establishing a relationship with, or obtaining access to the retirement system;

b. soliciting an investment from or investment management services business to the retirement system; or

c. influencing or attempting to influence the outcome of any investment or other financial decision by the retirement system.

2. This section shall not apply to:

a. any related party who is acting within the scope of their professional duties on behalf of the investment firm;

b. any person or entity whose sole basis of compensation from an investment firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of clients to the investment firm or the brokering, fostering, establishing or maintaining of a relationship between the investment firm and the retirement system; or

c. lobbying of the government on issues unrelated to investment or other financial decisions by retirement system officials.

§ 1112. No campaign contributions or solicitations.

1. An investment firm shall not accept, manage or retain an investment from, or provide investment management services to, the retirement system within two years after a contribution to a retirement system official is made by:

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a. the investment firm;

b. any related party or relative of a related party, including, but not limited to, a person who becomes a related party within two years after a contribution to a retirement system official; or

c. the investment firm, related party or relative of a related party to any political party to aid a retirement system official, or to any political action committee controlled by the investment firm, related party, or relative of a related party of an investment firm to aid a retirement system official.

2. An investment firm, related party, or relative of a related party shall not, directly or indirectly, solicit any person or political action committee to make, solicit or coordinate any contribution to a retirement system official if the investment firm is seeking or has accepted an investment from the retirement system or is currently providing or seeking to provide investment management services to the retirement system.

3. Subdivision two of this section shall not apply to a contribution made by a related party or relative of a related party to a retirement system official for whom the related party or relative of a related party was entitled to vote at the time of the contribution and that does not exceed three hundred dollars from each person or entity in the aggregate to any retirement system official, per election.

§ 1113. Internal controls and procedures.

1. In cooperation with the board, an investment firm shall adopt internal written procedures to monitor and ensure compliance with this article and shall
provide a copy of those procedures to the board and the attorney general.

2. The internal written procedures may be reviewed by the board, the attorney general or the superintendent of insurance on an annual basis to ensure that they comply with the provisions of this article.

3. An investment firm must observe:
   (a) accounting and operating controls established by law, and
   (b) the retirement system’s regulations and internal rules and policies, including, but not limited to, restrictions and prohibitions on the use of such retirement system’s property for personal or other non-retirement system purposes, unless otherwise provided for in the governing documents of a sponsored fund.

§ 1114. Certain employment prohibited.

An investment firm shall not employ or compensate, in any way, any retirement system official, retirement system advisor or other fiduciary of the retirement system for two years after termination of such person’s relationship with the retirement system unless such person shall not appear, practice, communicate or otherwise render services before the retirement system.

§ 1115. Prohibition of certain financial relationships.

An investment firm and related parties shall not have any direct or indirect financial, commercial or business relationship with any retirement system official, retirement system advisor or other fiduciary of the retirement system or any relatives of such persons, unless the board consents after full disclosure by the investment firm.

§ 1116. Certain contacts prohibited.
1. Upon the release of any request for proposal, invitation for bid, or comparable procurement vehicle for any investment or other investment management services by the retirement system, there shall be no communication or contact between an investment firm or related party and any retirement system official concerning the subject of the procurement process until the process is completed. Requests for technical clarification regarding the procurement process itself shall be permissible and must be directed to the person or persons designated by the retirement system. Nothing in this provision shall preclude an investment firm from complying with any request for information by the retirement system during this period.

2. An investment firm may not participate in, advise or consult on a specific matter before a retirement system, other than in connection with an investment in a sponsored fund or the investment activities of a sponsored fund as provided in the governing documents of such sponsored fund, that involves a business, contract, property or investment in which the investment firm has a pecuniary interest if it is reasonably foreseeable that action by or on behalf of such retirement system on that matter would be likely to, directly or indirectly, confer a benefit on the investment firm by reason of the investment firm’s interest in such business, contract, property or investment.

§ 1117. Gifts.

Neither an investment firm, a related party nor a relative of a related party shall offer or confer any gift having more than a nominal value, whether in the form
of money, service, loan, travel, lodging, meals, refreshments, gratuity, entertainment, discount, forbearance or promise, or in any other form, upon any retirement system official including, but not limited to, any relative of such persons, under circumstances in which it could reasonably be inferred that the gift was intended to influence the person, or could reasonably be expected to influence the person, in the performance of the person’s official duties or was intended as a reward for any official action on the person’s part.

§ 1118. Mandatory reporting.

Any person or entity licensed, certified by or registered with any state agency that has a reasonable basis to believe that there has been a violation of the provisions of this article by any individual or entity shall report to the board and the attorney general evidence of the violation.

§ 1119. Disciplinary action.

A willful violation of the provisions of this article is a ground for discipline against any person holding a license, certification or the like issued by a state agency.

§ 1120. Attorney general action.

Where a violation of the provisions of this article is alleged to have occurred, the attorney general of the state of New York may apply in the name of the People of the State of New York to the supreme court of the state of New York within the judicial district in which such violation is alleged to have occurred, on notice of five days, for an order or injunction enjoining a person or entity from engaging in the commission or continuance of any conduct in violation of this article and/or imposing
any such other or further relief as the court may consider just and equitable. In any such proceeding, the court shall impose a civil penalty in an amount not to exceed one hundred thousand dollars per violation and, where appropriate, restitution to aggrieved persons or for other victims of such violation.

§ 1121. Criminal sanctions.

Any person who willfully and intentionally violates any provision of this article is guilty of a misdemeanor punishable by a fine not to exceed twenty five thousand dollars or by imprisonment not to exceed six months or by both such fine and imprisonment. For any second or subsequent violation, the person is guilty of a felony punishable by imprisonment not exceeding two years, or by a fine not exceeding one hundred thousand dollars, community service of not more than one thousand hours, or any combination thereof. Prosecution hereunder may be conducted by the attorney general or the district attorney.

§ 1122. Non-exclusivity of rights or remedies.

Nothing in this section shall be construed to limit, in any manner, any rights or remedies otherwise available under law to any person or entity, including, but not limited to, the attorney general, the comptroller and the superintendent of insurance.

§ 17. The retirement and social security law is amended by adding a new section 111-b to read as follows:

§ 111-b. Protection against theft of property and honest services.

Any person who shall engage in a scheme constituting a systematic ongoing course of conduct with intent to defraud the retirement system by false or fraudulent
pretenses, representations or promises, and thereby obtains property from the
retirement system or deprives such retirement system, the office of audit and control
or the employee retirement fund board established by section four hundred twenty-
one-a of the education law from the intangible right of honest services shall be guilty
of a class E felony.

§ 18. The education law is amended by adding a new section 525-a to read as
follows:

§ 525-a. Protection against theft of property and honest services.

Any person who shall engage in a scheme constituting a systematic ongoing
course of conduct with intent to defraud this retirement system by false or fraudulent
pretenses, representations or promises, and thereby obtains property from the
retirement system or deprives such retirement system or the retirement board from the
intangible right of honest services shall be guilty of a class E felony.

§ 19. The education law is hereby amended by adding a new article 11-A to
read as follows:

ARTICLE 11-A

TRANSPARENCY IN THE TEACHERS’ RETIREMENT FUND;

DISCLOSURE OF CERTAIN THIRD PARTY INTERESTS

Section

540. Definitions.


540-b. Disclosure of all third-party compensation.
§ 540. Definitions.

As used in this article, the following terms shall have the following meanings unless otherwise specified:

1. “Conflict of interest” shall mean an interest, financial or otherwise, direct or indirect, arising from any business or transaction or professional activity or any obligation of any nature, which is in apparent or actual conflict with the proper discharge of a person’s or entity’s fiduciary, statutory or contractual duties to act in the best interest of the retirement fund’s members and/or beneficiaries.

2. “Contribution” shall mean any gift, subscription, loan, advance, deposit of money or thing of value made for:

   a. the purpose of supporting a candidate for or influencing any election for federal state or local office, including election to the board;

   b. the payment of any debt incurred in connection with such election; or
c. the transition or inaugural expenses of the successful candidate for such election.

3. “Executive officer” shall mean the president, any vice president in charge of a principal business unit, division or function, such as sales, administration or finance, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions, for an investment firm.

4. “Investment firm” shall mean any person or entity who accepts an investment from or provides investment management services to the retirement fund in connection with the management or investment of the retirement fund’s trust funds or assets. “Investment firm” shall include, but not be limited to, any subsidiary or affiliate over which the investment firm exercises exclusive control.

5. “Investment firm employee” shall mean a person employed directly by an investment firm or a sponsored fund thereof, and who would be considered an employee for federal tax purposes. An “investment firm employee” employee shall not include a person who is hired, engaged, utilized or retained by the investment firm to secure or influence a particular transaction, investment or decision of the retirement fund, retirement fund official, retirement fund advisor or other retirement fund fiduciary.

6. “Investment management services” shall mean:

a. the business of making or recommending investment management decisions, including, but not limited to, making recommendations for
the placement or allocation of investment funds, for or on behalf of the retirement fund;

b. the business of advising or managing a separate entity that makes or recommends investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement fund; or

c. the provision of any other financial advisory or consultant services to the retirement fund, such as money management or fund management services, investment advice or consulting, and investment support services, including, but not limited to, market research, fund accounting, custodial services and fiduciary advice.

7. “Lobbying” shall mean any attempt to directly or indirectly influence a determination related to a procurement of investment management services by the retirement fund, including, but not limited to, a determination by the retirement fund to place an investment with the investment firm by:

a. a retirement fund official;

b. any fiduciary of the retirement fund;

c. a retirement fund advisor; or

d. any other person or entity working in cooperation with any of the above.
8. “Lobbyist” shall mean any person or entity retained, employed or designated by any other person or entity to engage in lobbying. “Lobbyist” shall not include an investment firm employee.

9. “Relative” shall mean any person living in the same household as the individual and any person who is a direct descendant of such individual’s grandparents or who is the spouse of such descendant.

10. “Related party” shall mean any investment firm’s or sponsored fund’s partner, member, executive officer, director, employee or agent thereof. “Related party” shall not include limited partners of a sponsored fund or a managed account and portfolio companies of a sponsored fund are not related parties.

11. “Retirement board” or “board” shall mean the retirement board provided by section five hundred four of article 11 of this chapter.

12. “Retirement fund” shall mean the state teachers’ retirement fund for public school teachers of the state of New York as created by chapter one hundred forty of the laws of nineteen hundred ten, chapter four hundred forty-nine of the laws of nineteen hundred eleven, chapter forty-four of the laws of nineteen hundred fourteen, chapter one hundred three of the laws of nineteen hundred nineteen and chapter one hundred sixty-one of the laws of nineteen hundred twenty-three.

13. “Retirement fund advisor” shall mean any external person or entity engaged by the retirement fund to assist in the selection of investments or investment management services for the retirement fund.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
14. “Retirement fund official” shall mean any elected or appointed trustee, including any incumbent or candidate or successful candidate for the office of comptroller, or other official, staff member or employee whose official duties involve responsibility for the retirement fund.

15. “Sponsored fund” shall mean an investment fund sponsored, managed or advised by an investment firm.


An investment firm shall, prior to the closing of any investment with, or engagement to provide investment management services to, the retirement fund, and by the last day of July and January during the term of such engagement, disclose to the board the following information:

1. the names and titles of each related party, other than administrative personnel, whose standard professional duties include contact with, or communication to or from, the retirement fund, retirement fund official, retirement fund advisor or other fiduciary of the retirement fund. If the investment firm employee is a current or former official, retirement fund official, retirement fund advisor or other retirement fund fiduciary, or a relative of any of the foregoing, then the investment firm shall specifically note such information. Upon the board’s request, an investment firm shall provide the resume of any investment firm employee on that list, setting forth the employee's education, professional designations, regulatory licenses and investment and work experience;
2. a description of the responsibilities of each investment firm employee with respect to any investment with, or engagement to provide investment management services to, the retirement fund;

3. whether any investment firm employee has been registered as a lobbyist with any state or the federal government in the past two years;

4. an update of any significant changes to any of the information included in the disclosure shall be included in the next semi-annual report; and

5. a certification from the chief operating officer of the investment firm of the accuracy regarding the information included in the semi-annual disclosures required by this article.

§540-b. Disclosure of all third-party compensation.

An investment firm shall provide to the board prior to the closing of any investment with, or engagement to provide investment management services to, the retirement fund, the names and addresses of all third parties that the investment firm, in connection with an investment or transaction with the retirement fund, compensates, including, but not limited to, any fees, commissions, and retainers paid by the investment firm to third parties, such as fees for legal, government relations, public relations, real estate or other professional advice services or assistance, and the amounts of such compensation.

§540-c. Disclosure of conflicts of interest.

1. An investment firm must promptly disclose to the board any apparent or actual conflict of interest in writing, including, but not limited to, any relationship

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between the investment firm, a related party or a relative of a related party, and any
retirement fund official, retirement fund advisor or other fiduciary of the retirement
fund and any relatives of such persons.

2. An investment firm shall cure any conflict of interest by promptly
eliminating the conflict of interest. If an investment firm cannot or does not wish to
eliminate the conflict, then it shall terminate its relationship with the retirement fund
as promptly and responsibly as legally possible.

3. Provided an investment firm’s disclosure of a conflict of interest
pursuant to this article is sufficient to inform the board of the nature and extent of the
conflict of interest, the board alone may determine that the investment firm’s steps to
cure the conflict of interest are sufficient.

4. If an investment firm is uncertain whether it has or would have a
conflict of interest, then the investment firm shall promptly inform the board, who
shall determine whether an actual conflict of interest exists or will exist.

5. If an investment firm discloses a conflict of interest to the board, it
shall refrain from providing investment management services in connection with
matters generated by the conflict of interest until the board determines that the
investment firm need not take further action to cure the conflict of interest or until the
conflict of interest is in fact cured.

6. An investment firm shall ensure that the governing documents of each
sponsored fund in which the retirement fund invests contain provisions for how to
address material conflicts of interest between the investment firm or any investment firm employee, and any related party.

§ 540-d. Publication of investment firm disclosures.

An investment firm shall publish all disclosures and certifications required by this article on the investment firm’s website. The board shall also publish these disclosure and certifications on the website of the New York state teachers’ retirement fund.

§ 540-e. Mandatory reporting.

Any person or entity licensed, certified by or registered with any state agency that has a reasonable basis to believe that there has been a violation of the provisions of this article by any individual or entity shall report to the board and the attorney general evidence of the violation.

§ 540-f. Disciplinary action.

A willful violation of the provisions of this article is a ground for discipline against any person holding a license, certification or the like issued by a state agency.

§ 540-g. Attorney general action.

Where a violation of the provisions of this article is alleged to have occurred, the attorney general of the state of New York may apply in the name of the people of the state of New York to the supreme court of the state of New York on notice of five days, for an order or injunction enjoining a person or entity from engaging in the commission or continuance of any conduct in violation of this article and/or imposing any such other or further relief as the court may consider just and equitable. In any

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
such proceeding, the court shall impose a civil penalty in an amount not to exceed one
hundred thousand dollars per violation.

§ 540-h. Criminal sanctions.

Any person who willfully and intentionally violates any provision of this
article is guilty of a misdemeanor punishable by a fine not to exceed twenty five
thousand dollars or by imprisonment not to exceed six months or by both such fine
and imprisonment. For any second or subsequent violation, the person is guilty of a
felony punishable by imprisonment not exceeding two years, or by a fine not
exceeding one hundred thousand dollars, community service of not more than one
thousand hours, or any combination thereof. Prosecution hereunder may be
conducted by the attorney general or the district attorney.

§ 540-i. Non-exclusivity of rights or remedies.

Nothing in this section shall be construed to limit, in any manner, any rights or
remedies otherwise available under law to any person or entity, including, but not
limited to, the attorney general and the commissioner of education.

§ 20. The education law is amended by adding a new Article 11-B to read as
follows:

ARTICLE 11-B

STANDARDS AND CONDUCT OF THIRD PARTIES

Section

541-a. Definitions.

541-b. Placement agents or lobbyists prohibited.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
541-c. No campaign contributions or solicitations.

541-d. Internal controls and procedures.

541-e. Certain employment prohibited.

541-f. Prohibition of certain financial relationships.

541-g. Certain contacts prohibited.

541-h. Gifts.

541-i. Mandatory reporting.

541-j. Disciplinary action.

541-k. Attorney General action.

541-l. Criminal sanctions.

541-m. Non-exclusivity of rights or remedies.

541-a. Definitions.

As used in this article, the following terms shall have the following meanings unless otherwise specified:

1. “Conflict of interest” shall mean an interest, financial or otherwise, direct or indirect, arising from any business or transaction or professional activity or any obligation of any nature, which is in apparent or actual conflict with the proper discharge of a person’s or entity’s fiduciary, statutory or contractual duties to act in the best interest of the retirement fund’s members and/or beneficiaries.

2. “Contribution” shall mean any gift, subscription, loan, advance, deposit of money or thing of value made for:
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(a) the purpose of supporting a candidate for or influencing any election for federal state or local office, including election to the board;

(b) the payment of any debt incurred in connection with such election; or

(c) transition or inaugural expenses of the successful candidate for such election.

3. “Executive officer” shall mean the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions, for an investment firm.

4. “Investment firm” shall mean any person or entity that accepts an investment from or provides investment management services to the retirement fund in connection with the management or investment of the retirement fund’s trust funds or assets. “Investment firm” shall include, but not be limited to, any subsidiary or affiliate over which the investment firm exercises exclusive control.

5. “Investment firm employee” shall mean a person employed directly by an investment firm or a sponsored fund thereof, and who would be considered an employee for federal tax purposes. “Investment firm employee” shall not include a person who is hired, engaged, utilized or retained by the investment firm to secure or influence a particular transaction, investment or decision of the retirement fund, retirement fund official, retirement fund advisor or other retirement fund fiduciary.

6. “Investment management services” shall mean:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.
a. The business of making or recommending investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement fund;

b. the business of advising or managing a separate entity that makes or recommends investment management decisions, including, but not limited to, making recommendations for the placement or allocation of investment funds, for or on behalf of the retirement fund; or

c. the provision of any other financial advisory or consultant services to the retirement fund, such as money management or fund management services, investment advice or consulting, and investment support services, including, but not limited to, market research, fund accounting, custodial services and fiduciary advice.

7. “Lobbying” shall mean any attempt to directly or indirectly influence a determination related to a procurement of investment management services by the retirement fund, including, but not limited to, a determination by the retirement fund to place an investment with the investment firm by:

   a. a retirement fund official;

   b. any fiduciary of the retirement fund;

   c. a retirement fund advisor; or

   d. any other person or entity working in cooperation with any of the above.

8. “Lobbyist” shall mean any person or entity retained, employed or
designated by any other person or entity to engage in lobbying. “Lobbyist” shall not include a investment firm employee.

9. “Placement agent” shall mean any person or entity, including, but not limited to, a lobbyist, solicitor, intermediary or consultant, that is directly or indirectly hired, engaged, utilized, retained or compensated (regardless of whether upon a fixed, contingent or any other basis) or otherwise given any other tangible or intangible item or benefit having monetary value by the investment firm for the purpose of promoting, facilitating or soliciting the placement with the investment firm of an investment by the retirement fund. A placement agent shall not include a bona fide employee of the investment firm or any person whose sole basis of compensation from the investment firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance unrelated to soliciting, introducing, finding, or referring clients to the investment firm or attempting to influence in any way an existing or potential investment in or business relationship with the investment firm.

10. “Relative” shall mean any person living in the same household as the individual and any person who is a direct descendant of that individual’s grandparents or who is the spouse of such descendant.

11. “Related party” shall mean any investment firm’s or sponsored fund’s partner, member, executive officer, director, employee or agent thereof. “Related party” shall not include limited partners of a sponsored fund or a managed account and portfolio companies of a sponsored fund are not related parties.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.
12. “Retirement board” or “board” shall mean the retirement board provided by section five hundred four of article 11 of this chapter.

13. “Retirement fund” shall mean the state teachers’ retirement fund for public school teachers of the state of New York as created by chapter one hundred forty of the laws of nineteen hundred ten, chapter four hundred forty-nine of the laws of nineteen hundred eleven, chapter forty-four of the laws of nineteen hundred fourteen, chapter one hundred three of the laws of nineteen hundred nineteen and chapter one hundred sixty-one of the laws of nineteen hundred twenty-three.

14. “Retirement fund advisor” shall mean any external person or entity engaged by the retirement fund to assist in the selection of investments or investment management services for the retirement fund.

15. “Retirement fund official” shall mean any elected or appointed trustee, including any incumbent or candidate or successful candidate for the office of comptroller, or other official, staff member or employee whose official duties involve responsibility for the retirement fund.

16. “Solicitor” shall mean any person or entity that, in any way, directly or indirectly, solicits, finds, introduces or refers any other person or entity to the investment firm, including, but not limited to, any intermediary, consultant, broker, introducer, referrer, finder, public- or government-relations expert or marketer. A “solicitor” shall not include any investment firm employee or any person whose sole basis of compensation from the investment firm is the actual provision of legal.
accounting, engineering, real estate or other professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of persons or entities to the investment firm or the brokering, fostering, establishing or maintaining of a relationship between the investment firm and the retirement fund.

17. “Sponsored fund” shall mean an investment fund sponsored, managed or advised by an investment firm.

§ 541-b. Placement agents prohibited.

1. An investment firm shall not directly or indirectly hire, engage, utilize, retain or compensate any person or entity, including, but not limited to, a placement agent, to directly or indirectly communicate for any purpose with any retirement fund official in connection with any investment or engagement between the investment firm and the retirement fund, including, but not limited to:

   a. introducing, finding, referring, facilitating, arranging, expediting, fostering or establishing a relationship with, or obtaining access to the retirement fund;

   b. soliciting an investment from or investment management services business to the retirement fund; or

   c. influencing or attempting to influence the outcome of any investment or other financial decision by the retirement fund.

2. This section shall not apply to:

   a. any related party who is acting within the scope of their professional duties on behalf of the investment firm;
b. any person or entity whose sole basis of compensation from an investment firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of clients to the investment firm or the brokering, fostering, establishing or maintaining of a relationship between the investment firm and the retirement fund; or
c. lobbying of the government on issues unrelated to investment or other financial decisions by retirement fund officials.

§ 541-c. No campaign contributions or solicitations.

1. An investment firm shall not accept, manage or retain an investment from, or provide investment management services to, the retirement fund within two years after a contribution to a retirement fund official is made by:

   a. the investment firm;

   b. any related party or relative of a related party, including, but not limited to, a person who becomes a related party within two years after a contribution to a retirement fund official; or

   c. the investment firm, related party, or relative of a related party to any political party to aid a retirement fund official, or any political action committee controlled by the investment firm, related party, or relative of a related party of an investment firm.

2. An investment firm, related party, or relative of a related party shall not, directly or indirectly, solicit any person or political action committee to make.
solicit or coordinate any contribution to a retirement fund official if the investment firm is seeking or has accepted an investment from the retirement fund or is currently providing or is providing or seeking to provide investment management services to the retirement fund.

3. Subdivision two of this section shall not apply to a contribution made by a related party or relative of a related party to a retirement fund official for whom the related party or relative of a related party was entitled to vote at the time of the contribution and that does not exceed three hundred dollars from each person or entity in the aggregate to any retirement fund official, per election.

§ 541-d. Internal controls and procedures.

1. In cooperation with the board, an investment firm shall adopt internal written procedures to monitor and ensure compliance with this article and shall provide a copy of those procedures to the board and the attorney general.

2. The internal written procedures may be reviewed by the board, the attorney general or the superintendent of insurance on an annual basis to ensure that they comply with the provisions of this article.

3. An investment firm must observe:

   (a) accounting and operating controls established by law, and

   (b) the retirement fund’s regulations and internal rules and policies, including, but not limited to, restrictions and prohibitions on the use of such retirement fund’s property for personal or other non-retirement fund purposes, unless otherwise provided for in the governing documents of a sponsored fund.
§ 541-e. Certain employment prohibited.

An investment firm shall not employ or compensate, in any way, any retirement fund official, retirement fund advisor or other fiduciary of the retirement fund for two years after termination of such person’s relationship with the retirement fund unless such person shall not appear, practice, communicate or otherwise render services before the retirement fund.

§ 541-f. Prohibition of certain financial relationships.

An investment firm and related parties shall not have any direct or indirect financial, commercial or business relationship with any retirement fund official, retirement fund advisor or other fiduciary of the retirement fund or any relatives of such persons, unless the board consents after full disclosure by the investment firm.

§ 541-g. Certain contacts prohibited.

1. Upon the release of any request for proposal, invitation for bid, or comparable procurement vehicle for any investment or other investment management services by the retirement fund, there shall be no communication or contact between an investment firm or related party and any retirement fund official concerning the subject of the procurement process until the process is completed. Requests for technical clarification regarding the procurement process itself shall be permissible and must be directed to the person or persons designated by the retirement fund. Nothing in this provision shall preclude an investment firm from complying with any request for information by the retirement fund during this period.

2. An investment firm may not participate in, advise or consult on a
specific matter before a retirement fund, other than in connection with an investment
in a sponsored fund or the investment activities of a sponsored fund as provided in the
governing documents of such sponsored fund, that involves a business, contract,
property or investment in which the investment firm has a pecuniary interest if it is
reasonably foreseeable that action by or on behalf of such retirement fund on that
matter would be likely to, directly or indirectly, confer a benefit on the investment
firm by reason of the investment firm’s interest in such business, contract, property or
investment.

§ 541-h. Gifts.
Neither an investment firm, a related party nor a relative of a related party
shall offer or confer any gift having more than a nominal value, whether in the form
of money, service, loan, travel, lodging, meals, refreshments, gratuity, entertainment,
discount, forbearance or promise, or in any other form, upon any retirement fund
official including, but not limited to, any relative of such persons, under
circumstances in which it could reasonably be inferred that the gift was intended to
influence the person, or could reasonably be expected to influence the person, in the
performance of the person’s official duties or was intended as a reward for any
official action on the person’s part.

§ 541-i. Mandatory reporting.
Any person or entity licensed, certified by or registered with any state agency
that has a reasonable basis to believe that there has been a violation of the provisions
of this article by any individual or entity shall report to the board and the attorney

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general evidence of the violation.

§ 541-j. Disciplinary action.

A willful violation of the provisions of this article is a ground for discipline against any person holding a license, certification or the like issued by a state agency.

§ 541-k. Attorney general action.

Where a violation of the provisions of this article is alleged to have occurred, the attorney general of the state of New York may apply in the name of the People of the State of New York to the supreme court of the state of New York within the judicial district in which such violation is alleged to have occurred, on notice of five days, for an order or injunction enjoining a person or entity from engaging in the commission or continuance of any conduct in violation of this article and/or imposing any such other or further relief as the court may consider just and equitable. In any such proceeding, the court shall impose a civil penalty in an amount not to exceed one hundred thousand dollars per violation and, where appropriate, restitution to aggrieved persons or for other victims of such violation.

§ 541-l. Criminal sanctions.

Any person who willfully and intentionally violates any provision of this article is guilty of a misdemeanor punishable by a fine not to exceed twenty five thousand dollars or by imprisonment not to exceed six months or by both such fine and imprisonment. For any second or subsequent violation, the person is guilty of a felony punishable by imprisonment not exceeding two years, or by a fine not exceeding one hundred thousand dollars, community service of not more than one
thousand hours, or any combination thereof. Prosecution hereunder may be
conducted by the attorney general or the district attorney.

§ 541-m. Non-exclusivity of rights or remedies.

Nothing in this section shall be construed to limit, in any manner, any rights or
remedies otherwise available under law to any person or entity, including, but not
limited to, the attorney general and the commissioner of education.

§ 21. Section 30.10 (3) (b) of the criminal procedure law is hereby amended
to read as follows:

(b) A prosecution for any offense involving misconduct by a public servant
may be commenced at any time during the [defendant's] public servant’s service in
such office or within five years after the termination of such service; provided
however, that in no event shall the period of limitation be extended by more than five
years beyond the period otherwise applicable under subdivision two. This shall apply
where the defendant is the public servant or is acting in concert with the public
servant to commit the offense.

§ 22. Severability. If any title, section, subdivision, paragraph or other part of
this article shall be adjudged invalid by any court of competent jurisdiction, such
judgment shall not invalidate the remainder thereof, but shall be confined in its
operation to the part directly involved in the controversy wherein such judgment shall
have been rendered.

§ 23. This act shall take effect on the one hundred and eightieth day after it
shall become law.