

NEW YORK STATE COMMON RETIREMENT FUND
POLICIES AND PROCEDURES FOR
PROCUREMENT OF SERVICES AND SELECTION OF ASSET MANAGERS

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Approved By:

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I. GENERAL

In order to preserve the independence and integrity of the New York State Common Retirement Fund (“CRF” or “the Fund”) and to assist the State Comptroller in fulfilling his or her duties as a fiduciary to CRF, the State Comptroller has established policies and procedures (this “Policy”) with respect to the procurement of investment related services (Section II) and the selection of external asset managers (Section III) by the Fund in a fair and efficient manner, consistent with the best interests of the Fund.

II. PROCUREMENT OF SERVICES

CRF may employ the services of external persons such as investment consultants for various purposes, including, without limitation, asset allocation studies, development of investment strategies, manager selection, identification and/or evaluation of investment opportunities, due diligence on investment opportunities, performance reviews and specialized expertise. CRF may also purchase investment related products, such as investment tracking software and subscriptions to various research products. For purposes of these Policies and Procedures, the term “services” shall also include “products”.

Before engaging external persons to provide services to CRF, staff must make a determination that such services are required by CRF and that internal resources cannot meet the need. Staff must make a recommendation to the Chief Investment Officer (“CIO”): (i) detailing the scope of the services required and time frame; and (ii) stating the reasons why the services cannot be provided internally.

Where more than one viable source for services exists and where conditions permit, the Fund recognizes that competition among providers can produce a more favorable result for the Fund as purchaser of the services. The Fund also recognizes that, in many cases, procurement of services from more than a single provider is preferable to a single provider.

Therefore, in procuring services, CRF will qualify and select providers on a reasoned basis, balancing the considerations relevant to a decision such as nature of services being procured, timeframe for selection, universe of potential providers, past procurement experience, available information about potential providers, and likely price variations.

Staff will recommend the proposed procurement method to be used for procuring services and will provide justification for use of the method. Upon approval by the CIO, the recommended procurement method will be followed for such procurement. See Section VI for detail of certain required documentation.

Discretionary Threshold

Procurements under an established monetary threshold of fifty thousand dollars (\$50,000) within a twelve (12) month period, at the discretion of the CIO, may be made without the need for a formal competitive procurement process. The Procurement Record must document that the product or service provider meets the CRF's need at a reasonable price. The monetary threshold may change from time to time as authorized by the Comptroller. Use of discretionary purchasing is intended to streamline the procurement process.

Procurement Record

A procurement record shall be maintained for each procurement. Regardless of the method that was followed, the record shall document the decisions made during the procurement and award process and justifications therefore.

III. SELECTION OF EXTERNAL ASSET MANAGERS

In the normal course, CRF retains external managers to manage assets. Such external managers may manage separate accounts, or may manage fund of funds. Staff will identify potential external asset managers through a search process approved by the CIO. Staff is responsible for establishing procedures to identify and recommend managers consistent with such search process.

The process shall recognize that identification of external managers is continuous and dynamic. Ongoing monitoring and awareness of potential managers and observing them over time through different market environments provides staff with valuable information.

A. Consultant Driven

Typically, staff works with a consultant to identify and recommend managers. The selection of external asset managers through a consultant driven search shall be documented in writing, which shall include:

1. Initial Search Memorandum- provides the rationale for the search and a summary of criteria that will be used to screen for the initial pool of candidates. It may be updated as necessary.

2. Selection Memorandum- summarizes the selection process, provides a brief summary of each finalist and an evaluation of their strengths and weaknesses, sets forth the key factors that differentiated the recommended manager(s) from the other candidates. It may also include the selection of “high-interest” candidates for ongoing monitoring.
3. Consultant Recommendation- similar to the Selection Memorandum, but prepared by the consultant assisting in the manager search. No external asset manager will be retained without a positive recommendation from each of staff and the consultant.

B. Other Competitive Process

In selecting external asset managers CRF may, in its discretion, conduct a different competitive process (i.e., not consultant driven) in order to pre-qualify and/or make a selection. If CRF engages in a competitive process with respect to the selection of external asset managers, staff will recommend the method to be used and the justification for use of the method. Upon approval by the CIO, the recommended method will be followed. See Section VI for further details regarding required documentation.

IV. OPPORTUNISTIC INVESTMENTS

In the normal course, CRF enters into “opportunistic investments”, including one-off investments that are brought to CRF by an investment manager and can only be sourced through that investment manager. Such investments may be available only for a set time period determined by the investment manager- i.e., during a fund-raising period- and at a set price also determined by the investment manager. For example, investments in private equity funds, hedge funds and real estate commingled funds would be deemed opportunistic investments. Opportunistic investments may also include public market products and niche strategies.

The Fund recognizes that the identification of opportunistic investments, like the retention of external asset managers, is a continuous, dynamic investment process. Staff monitors and observes potential opportunistic investments over time and through different market environments. For the selection of any such investments CRF may, in its discretion, conduct a competitive process in order to pre-qualify and/or make a selection. However, staff has the discretion to select investments without engaging in a formal search. If staff determines not to use a formal search, opportunistic investments will not be subject to this Policy; rather they will be governed solely by the due diligence, documentation and approval criteria set out in the Fund’s Investment Policy Statement.

If CRF engages in a competitive process with respect to the selection of opportunistic investments, staff will recommend the method to be used and the justification for use

of the method. Upon approval by the CIO, the recommended method will be followed. See Section VI for further details of required documentation.

V. PROCUREMENT AND SELECTION MANUAL

CRF will have a Procurement and Selection Manual (the “Manual”) that will describe available options and processes relating to (i) the procurement of services and (ii) the retention of external asset managers.¹ If a competitive process is used, such options may include Requests for Proposals, Requests for Proposals by Invitation, Invitations for Bid, Searches (including consultant driven searches) and Requests for Information. The Manual will describe the available options and will also outline the procedures relating to each option. In the case of procurement of services, where competitive bidding options are normally indicated, the Manual will also provide for certain circumstances when such options may not be appropriate—e.g., sole and single sourcing, emergency situations and discretionary thresholds.

The Manual is meant to be a guide to implementing procurements for services and selection of external managers in a fair and efficient manner. However, it is also meant to permit CRF to engage in options outside of the guidelines where staff believes it would be in the best interest of the Fund to do so. Therefore, the various options and requirements outlined in the Manual may be changed as required by the particular circumstances without Comptroller approval provided that they remain consistent with the requirements contained in this Policy. Any such changes must be approved by the CIO.

VI. DOCUMENTATION REQUIREMENTS OF COMPETITIVE PROCESSES

Where CRF uses a competitive process,² the following will apply:

Statement of Work/Scope

Each procurement for services or competitive investment/selection process must begin with the development of a statement of work/scope that defines the services and/or product to be procured.

¹ The Manual details procedures relating to opportunistic investments to the extent that staff, in its discretion, chooses to use a competitive method with respect to such investment. Nothing in these Policies and Procedures or in the Manual will be interpreted to require any formal search or competitive process with respect to opportunistic investments.

² If the method is a consultant driven search, the requirements of Section III A rather than the requirements of Section VI apply.

Evaluation Plans

Each procurement for services or competitive investment/selection process must have an evaluation plan in place before proposals are received. The evaluation plan must:

1. Identify the members of the evaluation committee and the evaluation coordinator;
2. Set forth the criteria of review and scoring;
3. Set forth the relative weight attached to the technical and cost evaluations, if applicable; and
4. Set forth the basis for costs- i.e., whether costs are capped; whether costs are subject to negotiation.

Basis for Award

Each procurement for services or competitive investment/selection process must document the basis for the award.

Additional Requirements

The Manual may contain additional requirements.

VII. FIDUCIARY RESPONSIBILITY AND DISCRETION PRESERVED

Nothing in this Policy or the Manual or in any procedures relating to this Policy or contained in the Manual shall be construed to impede the exercise of the fiduciary duty of the Comptroller and staff.