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

b. The comptroller shall be trustee of the several funds of the retirement system. Such funds shall be invested by the comptroller in securities in which he is authorized by law to invest the funds of the state, except that he 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 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 employees' 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 employees' 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 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 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:

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 name as trustee, 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 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 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 pay or emolument for his services.

2. Except as provided in section 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, 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.

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. 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.