**October 25, 2011**
**Exhibit “6-B”**

# INVESTMENT POLICY STATEMENT

# FOR

# POWER AUTHORITY OF THE STATE OF NEW YORK

# OTHER POST-EMPLOYMENT BENEFITS TRUST

**Amended: October 25, 2011**

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## Background

The Power Authority of the State of New York (the “Authority”) has established a Trust fund, known as the Power Authority of the State of New York Other Post-Employment Benefits Trust (the “Trust”). This Trust provides medical, prescription drug, life and other long-term benefits for those employees who meet the age and service requirements outlined in Attachment A of the Trust Agreement. The Trust consists of contributions from the Power Authority of the State of New York. The Power Authority of the State of New York will oversee certain policies and procedures related to the operation and administration of the Trust.

## Purpose

The purpose of this Investment Policy Statement (the “Policy”) is to assist the Authority in effectively supervising, monitoring and evaluating the investment of assets of the Trust. A thorough investment program is defined throughout this document to achieve the following:

1. Document the Authority’s investment objectives, performance expectations and investment guidelines for Trust assets.

2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation. The goal of this strategy is to provide sufficient diversification and overall return over the long-term time horizon of the Trust.

3. Establish investment guidelines to control overall risk and liquidity, within the agreed upon investment strategy.

4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.

5. Comply with all fiduciary, prudence, due diligence and legal requirements for Trust assets.

The Authority has arrived at this Policy through careful study of the returns and risks associated with alternative investment strategies in relation to the current and projected liabilities of the Trust. This Policy has been chosen as the most appropriate policy for achieving the financial objectives of the Trust which are defined in the objectives of this Policy.

## Statement of Objectives

In defining the objectives of the Trust, the Authority has carefully reviewed its current and projected financial obligations as well as the risk and return relationships included in various asset allocation strategies. Based on these considerations, the Trust objectives are:

1. To invest assets of the Trust in a manner consistent with the fiduciary standards of State of New York, namely: (a) all transactions undertaken must be for the sole interest of Trust participants and their beneficiaries and to provide maximum benefits and defray reasonable expenses in a prudent manner, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
2. To provide for the funding and anticipated withdrawals on a continuing basis.
3. To conserve and enhance the capital value of the Trust in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.
4. To minimize principal fluctuations over the investment cycle (three to five years).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in the policy.

While there can be no assurance that these objectives will be realized, the Authority believes that the likelihood of their realization is reasonably high based upon this Policy.

## Investment Guidelines

### Time Horizon

The Trust's objectives are based on a 20-year investment horizon so that interim fluctuations should be viewed with appropriate perspective. The Authority has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

### Diversification

In general, the Trust will hold between 6 and 12 months of protected liquidity needs for benefit payments and expenses in cash. The remaining assets will be invested.

Investments shall be diversified with the intent to minimize the risk of investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

## Asset Allocation

The Authority believes that to achieve the greatest likelihood of meeting Trust objectives and the best balance between risk and return for optimal diversification, the Trust should allocate assets in accordance with the targets for each asset class as follows:

| **Asset Class** | **Asset Weightings** | |
|---|---|---|
| | **Range** | **Target** |
| **Domestic Equity** | **37% - 47%** | **42%** |
| **International Equity** | **14% - 24%** | **19%** |
| **Other Equity** | **1% - 11%** | **6%** |
| **Fixed Income** | **25% - 35%** | **30%** |
| **Cash Equivalent** | **0% - 10%** | **3%** |

The investment managers shall have discretion to temporarily invest a portion of the assets in cash reserves when they deem it appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

## Rebalancing Philosophy

The asset allocation range established by this investment policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the policy range. When these divergences occur, the investment consultant may recommend to the Authority to rebalance the asset mix to its appropriate targets and ranges. Similarly, if the cash requirement to handle liquidity needs falls to a level where near term distributions (over the following three months or less) cannot be met and no contributions are anticipated, the investment consultant may recommend to the Authority to rebalance the trust to its appropriate targets and ranges.

When the investment consultant is notified of new contributions by the Trust custodian, the investment consultant will review the Trust allocation and recommend to the Authority to fill the liquidity allocation first and the remaining investment allocations last.

## Risk Tolerances

The Authority recognizes that the objectives of the Trust cannot be achieved without incurring a certain amount of principal volatility. The Trust will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Trust's stated objectives.

### Performance Expectations

Over the long-term, a rolling five year period, the investment objectives for this portfolio shall be to achieve an average total annual rate of return that is equal to or greater than the Plan's stated 7% actuarial assumption. The Authority acknowledges that actual returns may vary significantly from these targets on a year to year basis.

## Selection of Investment Managers

The Authority, with the assistance of its independent investment consultant, shall select appropriate investment managers to manage the assets of the Trust. Managers must meet the following criteria:

- The investment manager must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.
- The investment manager must provide CFA Institute (Formerly Association for Investment Management and Research) compliant historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported gross of fees.
- The investment manager must provide detailed information on history of the firm, key personnel, key clients, fee schedule (including most favored nation clauses), and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

## Guidelines for Portfolio Holdings

### Equities

Investment in common and preferred stocks shall be limited to securities of domestic (corporations incorporated in the United States) or foreign corporations listed on the New York Stock Exchange, American Stock Exchange, National Association of Securities Dealers Automated Quotation system or other globally recognized exchanges. Investments in American Depository Receipts and publicly traded Real Estate Investment Trusts are also permitted. Investments in non-dollar denominated equities are prohibited.

*Domestic Equity* - Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed two (2%) percent of those outstanding. No individual "sector", as defined by the Global Industry Classification Standard (GICS®), shall exceed the greater of 20% of stock valued at market or 125% of the benchmark allocation. Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the investment manager(s).

In order to maintain an effective money management structure that is style neutral, the large capitalization growth equity portion of the investment portfolio shall not exceed the large capitalization value equity portion of the portfolio by more than a two-to-one ratio. Conversely, value shall not exceed growth by the same ratio. This same relationship should be followed for the portfolio's small capitalization equity investment managers as well.

*International Equities* - Not more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. No individual "sector", as defined by GICS, shall exceed the greater of 20% of equity valued at market or 125% of the benchmark allocation. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple regions and sectors. The emerging markets exposure, as defined by Morgan Stanley Capital International Inc. ("MSCI"), should be limited to 35% of the non-U.S. portion of the portfolio.

## REIT

Equity real estate investment assets will be held only in diversified Pooled Vehicles, primarily holding Real Estate Investment Trusts and servicing companies.

## Fixed Income

Fixed income investments shall generally be high quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, (2) investment grade municipal issues, 3) domestic or international investment grade corporate issues including convertibles, and 4) international sovereign debt. Additional investment is allowable in the high yield sector (credit rating below BBB-) where diversification against domestic interest rate changes is warranted and/or the yield spread adequately compensates for the additional risk.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. This does not apply to issues of the U.S. Treasury or other Federal Agencies.

The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings or below (high yield), can be purchased up to a maximum of 20% of total market value of fixed income securities.

Active bond management is encouraged and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes. Holdings of individual securities should be liquid so as not to incur unnecessary transaction costs.

## Cash Equivalents

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions, or foreign branches of United States banks, or United States branches of foreign banks, which are federally insured with unrestricted capital of at least $50 million. Short-term corporate obligations must be rated A or better by Fitch, Moody's or Standard & Poor's.

## Pooled Vehicles

The diversification restrictions for individual stocks and fixed income securities purchased and held in the total portfolio shall not apply to similar investment instruments held in a commingled fund or a SEC registered mutual fund specifically approved by the Authority. Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with this Policy. However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between this Policy and the objectives of these pooled vehicles. Any commingled fund(s) and/or mutual fund(s) approved by the Authority shall first be reviewed and recommended by the Authority's independent investment consultant and shall be eligible for inclusion in the total portfolio as long as it is in compliance with the Investment Company Act of 1940's diversification requirement.

## Prohibited Securities

The following securities and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities); derivatives, options or futures for the purpose of portfolio leveraging are also prohibited. Neither real estate equity nor natural resource properties such as oil, gas or timber may be held except by purchase of publicly traded securities or pooled investment vehicles. The purchase of collectibles is also prohibited.

## Safekeeping

All securities shall be held by a custodian appointed by the Authority for safekeeping. The custodian shall produce statements at least quarterly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Trust held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts.

## Control Procedures

Independent Investment Consultant

The Authority will appoint a consultant to assist them in the investment process and maintaining their compliance to this Policy. The investment consultant must be independent and registered in good standing with the Securities and Exchange Commission.

Review of Investment Objectives

The independent investment consultant shall review annually the appropriateness of the Policy for achieving the Trust's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

Review of Investment Performance

The independent investment consultant shall report on a quarterly basis to the Authority to review the total Trust investment performance. In addition, the independent investment consultant will be responsible for keeping the Authority advised of any material change in all investment managers' personnel, investment strategy, and other pertinent information potentially affecting performance of all investments.

The independent investment consultant shall compare the investment results on a quarterly basis to appropriate benchmarks, as well as market index returns in both equity and debt markets. Examples of benchmarks and indexes that will be used include the S&P 500 Index for large cap equities, Russell 2000 Index for small cap equities, MSCI Europe, Australia, and Far East Index (EAFE) for international equities, Barclay's Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-Bill Index for cash equivalents.

Voting of Proxies

Voting of proxy ballots shall be for the exclusive benefit of the Trust. Unless the Authority provides information on how to vote a proxy, the investment managers shall vote the proxies in accordance with this policy on all shareholder issues. Proxies must be intelligently voted in a manner that best serves the interest of the participants and beneficiaries of the Trust. Where the Authority has retained an investment manager(s), the Authority will delegate to the investment manager(s) the authority to vote the proxies. The Authority delegates this authority subject to the understanding that the investment manager(s) in voting the proxies will consider only those factors that may affect the value of the Trust's investment and not subordinate the interests of the participants and beneficiaries to unrelated objectives. The Authority will, in addition to monitoring the investment manager(s) with respect to the management of Trust assets, monitor the decisions made and actions taken with regard to proxy voting decisions. The Authority will require the investment manager(s) to maintain accurate records as to proxy voting and report annually to the Authority a summary of all proxy voting decisions made by the investment manager(s) on behalf of the Trust. Investment manager(s) are prohibited from abstaining in voting proxies. Investment manager(s) are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to “golden parachutes,” “super majorities,” “poison pills,” “fair price” provisions, staggered boards of directors, and other tactics. Proxies should be vigorously voted with the interest of preserving or enhancing the security’s value.

The investment manager(s) of a commingled trust or mutual fund that holds the assets of the Trust along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible, vote the proxies to reflect the policies in proportion to each fund’s interest in the pooled fund.

### Execution of Security Trades

The Authority expects that the purchase and sale of all Trust securities shall be made in a manner designed to receive the combination of best price and execution. All transactions are to be governed by negotiation to achieve “best execution” (best price net of commissions). The lowest commission rate need not mean “best execution.” Firms which offer research services may be given preference as long as the principle of “best realized price” and the investment manager(s)’s option to “pay up” for research are compatible.

## Adoption of Investment Policy Statement

This Policy is not immutable, but any changes or exceptions to it will be in writing and delivered to each investment manager.

**Approved by the Power Authority of the State of New York:**

______________________________
Title

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Date