

**WEATHER**  
  
 HIGH **63°** LOW **45°**  
 It won't be all day, but bring an umbrella — just in case./A2

**SUNDAY**  
**NATION** Retirees face some bad news on Social Security/A5

► **FLU** State of the virus — regional and national/A3-4, D1  
**ON THE WEB** Updates, map/http://timesunion.com



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## Playing the Albany game for big gain

State pension fund presented a ripe target as calls for change were ignored

By **IRENE JAY LIU**  
 Capitol bureau

ALBANY — In a state where corruption and government scandal make daily headlines, the notion that New York's class of powerful political operatives could use undue influence to enrich themselves through government is nothing new. Over a century ago, state Sen. George Washington Plunkitt, part of the Tammany

Hall machine, wrote about the exercise of power for personal gain by noting, "I seen my opportunities and I took 'em."  
 But in today's investigation of "pay-to-play" corruption at the state pension fund, what makes the schemes allegedly organized by top Democratic operative Hank Morris so unique — and so difficult to detect — was that they aligned two spheres that rarely overlap in Albany. Please see **PENSIONS A6** ►

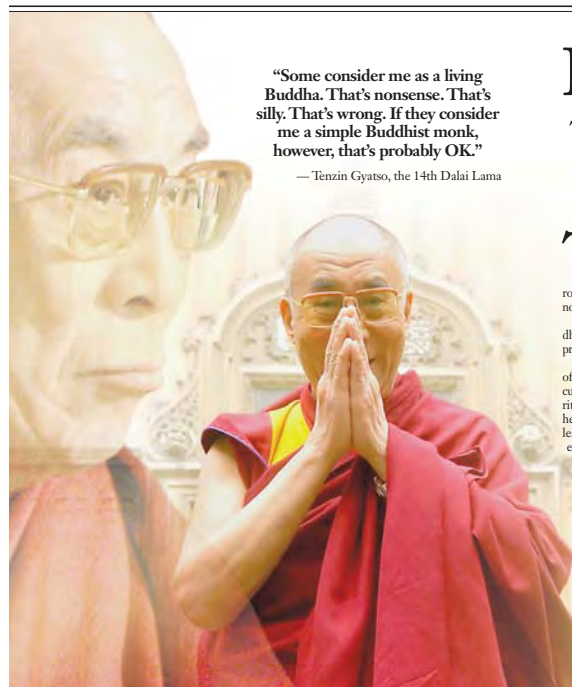


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## Pleasure's all Mine

Jockey Calvin Borel tells the world who won the 135th running of the Kentucky Derby on Saturday. Borel's mount, long shot Mine That Bird, was sent off by bettors at his morning line odds — 50-1. Apparently, Mine That Bird cared little about the bettors' disrespect and pulled away from the field. Complete coverage/C1

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"Some consider me as a living Buddha. That's nonsense. That's silly. That's wrong. If they consider me a simple Buddhist monk, however, that's probably OK."  
 — Tenzin Gyatso, the 14th Dalai Lama

## Holy man's journey


The 14th Dalai Lama visits Albany Wednesday; here's a look at the Buddhist spiritual leader

BY **BRIAN ETTKIN**  
 STAFF WRITER

The 14th Dalai Lama cuts a familiar figure, with his short head, hedgerow-thick eyebrows, tinted eyeglasses, smiling visage and loose-fitting maroon and saffron robes. "I am just a simple Buddhist monk — no more, nor less," he has said.  
 But likening the Dalai Lama to "a simple Buddhist monk" is akin to saying the Pope is just another priest.  
 The Dalai Lama is the political and spiritual leader of Tibet-in-exile, in Dharamsala, India — and a pop-culture icon whose cause is championed by U.S. celebrities such as Richard Gere. Tenzin Gyatso (the name he assumed after he was installed as Tibet's spiritual leader in 1940), has written best-selling books, and even appeared in an advertisement for Apple.  
 Many of us would recognize him on the street, and yet many of us know little about him.  
 "For the most part within American pop culture he stands for a symbol of this holy man above regular human existence, this extremely peaceful character," said Bob Thompson, the founding director of the Bleier Center for Television and Popular Culture at Syracuse University.  
 "But my guess is if you asked actual Americans who he is, by what authority he is named, what the whole notion of what the Dalai Lama is and how it's arrived at and theology associated with it, my

guess is that very few people would do well in a pop quiz of that nature."  
 With that in mind, here's a primer on the Dalai Lama before his first appearance in Albany, which will be Wednesday at the Palace Theatre.  
**Born again**  
 His Holiness is considered to be reincarnations of each of the previous 13 Dalai Lamas (the first was born in 1351), who are regarded as manifestations of Avalokiteshvara (his Indian name), or Chenrezig, the Bodhisattva of Compassion. A Bodhisattva is a being who leads people on the path toward enlightenment.  
 How was this Dalai Lama identified?  
 It is said to have begun when the embalmed head of Thupten Gyatso, the 13th Dalai Lama, turned and pointed toward north-eastern Tibet, the omen foretelling the direction in which the search party for the next Dalai Lama should travel.  
 Then, according to lore, a regent gazed into a sacred lake and had a vision: He saw the Tibetan letters Ah, Ka and Ma, a three-story monastery with a gold-and-turquoise roof, a path from the monastery that led to a hill, and a small house with oddly shaped gutters.  
 Please see **DALAI LAMA A8** ►

**INSIDE**  
 Michael J. Fox on the lookout for hope.  
 OnTV



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## Chrysler fall fits Obama plan

Administration hopes to use the bankruptcy as leverage to force changes at more complex GM

By **DAVID E. SANGER** and **BILL VLASIC**  
 New York Times

WASHINGTON — Fresh from pushing Chrysler into bankruptcy, President Barack Obama and his economic team are hoping that the hard line they took last week gives them leverage to force huge changes in General Motors, a far larger and more complex company.  
 Officials say that, difficult as Obama's decision was on Wednesday night to take all the risks of a Chrysler bankruptcy, the politics of reshaping GM will be far harder. Already a shadow of the

private sector. He will also be overseeing the radical downsizing of GM's work force at the same time he is trying to reverse rising unemployment.  
 No one thinks that Obama is going to allow GM to dissolve, in the sense that it would be broken up and its assets sold to the highest bidder or abandoned.  
 But if the Chrysler legal process unfolds as the White House hopes it will in coming weeks, the bankruptcy option may look increasingly attractive for GM as well, according to officials on Obama's automotive task force. Bankruptcy also may be the only way to force the kind of paring-down that Chrysler, with one-third of GM's workers and half the number of

## MORE NEWS

### BUSINESS Shared work

A state Department of Labor program is providing an alternative to layoffs that's attractive to companies and workers./D1

### OBITUARY Kemp dies

Jack Kemp, longtime congressman, one-time vice presidential candidate and former Buffalo Bills quarterback, was 73./A9




### REAL ESTATE A gentler lawn

What is the first rule of growing a lawn that will be the envy of all the homeowners on your block? Doing no harm to the Earth while cultivating it./INSIDE



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State pension fund presented a ripe target as calls for change were ignored

By **IRENE JAY LIU**, Capitol bureau

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First published: Sunday, May 3, 2009

ALBANY — In a state where corruption and government scandal make daily headlines, the notion that New York's class of powerful political operatives could use undue influence to enrich themselves through government is nothing new. Over a century ago, state Sen. George Washington Plunkitt, part of the Tammany Hall machine, wrote about the exercise of power for personal gain by noting, "I seen my opportunities and I took 'em."

But in today's investigation of "pay-to-play" corruption at the state pension fund, what makes the schemes allegedly organized by top Democratic operative Hank Morris so unique — and so difficult to detect — was that they aligned two spheres that rarely overlap in Albany: public finance and politics.

But the alleged scheme could have been revealed much sooner if state leaders had heeded the warnings of government watchdogs.

Morris has been charged with conspiring to sell access to billions of taxpayer dollars in exchange for millions of dollars in kickbacks and other payments for political and personal gain in a "pay-to-play" scheme at the pension fund, formally known as the New York State Common Retirement Fund.

Morris was the top political adviser to former state Comptroller Alan Hevesi, who, as the state pension fund's sole trustee, had unfettered control over the investment decisions for the fund. Morris allegedly set up shop as a placement agent and charged a commission for granting access to Hevesi's office, according to the indictment.

In April, hedge fund manager Barrett Wissman pleaded guilty to felony fraud for his role in a kickback scheme involving Morris. The hedge fund manager admitted pocketing at least \$12 million for helping to direct \$100 million in pension dollars to Hunt Financial Ventures and kicking back \$600,000 to Morris.

For those who inhabit the Capitol — legislators, staffers, lobbyists and advocates — politics and influence are largely applied toward crafting legislation and regulations. Until Morris' alleged scheme surfaced, few could have anticipated that the same political influence could be wielded to broker complex financial deals that comprise the \$122 billion state pension fund.

For decades, control of the fund "has been the purview of Wall Street investment houses and a handful of white-shoe law firms — all of whom allegedly answered to the SEC," said John Cordo, a prominent Albany lobbyist who worked for years as counsel in the state Senate. "There wasn't much overlap with Albany's traditional political and lobbying core. It seems that several years ago that began to change."

Attorney General Andrew Cuomo, who is leading the pension fund investigation in conjunction with the SEC, told reporters Thursday that the alleged Morris operation is "the worst of both worlds ... the worst of the private-sector financial community meeting the worst of the government and political community."

Cuomo said these pay-to-play schemes are a national problem, but that the situation is worse in New York because of the confluence of two factors. First, New York is one of only three states that have a sole

trusteeship, the state comptroller, in charge of the pension fund. Second, New York allows what Cuomo termed "exorbitant" campaign contribution limits for statewide elected positions — \$55,000 per individual or Limited Liability Corporation.

"I believe that (combination) is TNT — it causes an explosion," Cuomo said.

State Comptroller Thomas DiNapoli has voluntarily capped contributions to his campaign at \$10,000 per individual or LLC, and has introduced a program bill to enable public financing of the comptroller's race. He is currently seeking sponsors to carry the bill in the Assembly and Senate.

While Capitol insiders might not have anticipated the hazards of pay-to-play, Arthur Levitt Jr., son of former state Comptroller Arthur Levitt Sr. and the longest-serving chairman of the Securities and Exchange Commission, sounded the alarm over a decade ago.

Addressing a group of pension managers from around the country in 1999, Levitt warned that "certain practices remain closer to the backroom deals and 'honest graft' of Plunkitt and his ward captains, than to the unimpeachable integrity demanded of fiduciaries."

In that speech, Levitt used a baseball metaphor: If pay-to-play controlled the sport, "a baseball team would draft players on how much they have lined the pockets of the team's management. A player's batting average, home runs, or earned run average would be a secondary concern — if at all. How many games do you think the team would win? And how would the fans react if they knew this was how the team was selected?"

At that meeting, Levitt proposed a series of reforms that would have banned investors doing business with pension funds from making political contributions. But the idea met with stiff resistance from state officials and was never implemented.

Levitt continues to advocate on the issue since stepping down from the SEC in 2001 and moving to the private sector. He is now senior adviser to the Carlyle Group, a politically connected private equities firm that has been questioned in the ongoing pension fund investigation.

In October 2007, Levitt told a group of pension fund managers that the SEC should revisit his 1999 proposal, and that firms should voluntarily stop paying finder's fees to nonemployees who deliver pension fund business to them. In late April, Carlyle was the first firm to voluntarily discontinue use of placement agents in connection with public pension funds. Both DiNapoli and New York City Comptroller William Thompson have banned the use of placement agents, lobbyists and consultants.

The state, however, missed other opportunities to shed sunlight on vulnerabilities in the system.

From the late 1990s to the early 2000s, the now-defunct New York State Temporary Commission on Lobbying called for an expansion of the definition of "lobbying." The commission recommended that lobbying be defined as "communicating directly or soliciting others to communicate ... for the purpose of influencing any legislative, administrative or official action to be taken by that official or staff person," which would have extended the definition beyond the realm of legislation and regulations into the business of the pension fund. In annual reports up until 2003, the commission said the current definition is "too restrictive, and effectively curtails the commission's ability to obtain disclosure of such activities" outside the current definition, including business related to the pension fund. Like Levitt's reforms, the proposal went nowhere.

When asked why the proposal never moved forward, former Lobbying Commission Director David Grandeau laughed and suggested that part of the reason why it met resistance is because he had been

the one making the proposal. As director of the lobbying commission, Grandeau had drawn the ire of state officials and lobbyists alike for his aggressive tactics and willingness to use the press to expose corruption in the system. (In 2007, the lobbying commission was merged with the State Ethics Commission into one Public Integrity Commission.)

Extending the lobbying definition might have uncovered the alleged pay-to-play scheme sooner, Grandeau said. Lobbying firms are required to file information about their clients, expenses, the bills and contracts targeted, and the names of the individual lobbyists doing the work. If the definition had been expanded, the placement agent fees paid to Morris' employer, Searle & Co., as well as his personal involvement in the deals would have been publicly disclosed.

On Friday, Cuomo announced that he and the SEC were expanding their investigation to include "unregistered and unlicensed middlemen," an area he said highlights "systemic weakness in the system." Cuomo said that he intends to present the legislature with reform proposals in the future.

But Grandeau said that no rule will be able to fix the problem wholesale.

"Right now as you and I are talking, someone is running a scam," he said. "People are not going to change. There is always going to be corruption in government.

"The best thing you can do is find capable people who are strong, committed investigators and enforcers. That's how you stop it," he said. "With the exception of the attorney general, I don't think anyone else is doing that."

Staff writer Irene Jay Liu can be reached at 454-5081 or [iliu@timesunion.com](mailto:iliu@timesunion.com).