



**NYS DEFERRED  
COMPENSATION  
BOARD**

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DIANA JONES RITTER  
MICHAEL A. AVELLA  
EDWARD M. CUPOLI

March 11, 2009

**Memorandum To:** Files

Minutes of the March 11, 2009  
Public Meeting of the  
New York State Deferred Compensation Board

A public meeting of the New York State Deferred Compensation Board (the "**Board**") was held on March 11, 2009, in Room 124 at the Empire State Plaza Concourse – North, Albany, NY 12223. The meeting began at approximately 9:00 a.m. and adjourned at approximately 10:00 a.m. A separate memorandum to the files, also dated March 11, 2009, lists the materials prepared for and referred to during the meeting, a copy of which is included as an attachment hereto.

**In attendance:**

Board Members: Diana Jones Ritter, Edward M. Cupoli

Staff Members: Edward Lilly, David Fischer, Sharon DiMura, Craig Dickinson

Shearman & Sterling LLP: Elizabeth Roseman, Veronica Wissel, Lee Lowenthal (Legal Assistant)<sup>1</sup>

Nationwide Retirement Solutions: Patrick Ray

Evaluation Associates LLC: Linda Schlissel<sup>1</sup>

Dwight Asset Management: David Starr, David Westbrook<sup>1</sup>

There were no members of the public in attendance.

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<sup>1</sup> Ms. Roseman, Ms. Wissel, Mr. Lowenthal, Ms. Schlissel and Mr. Westbrook attended via conference call.

Diana Jones Ritter served as Chair and Sharon DiMura acted as Secretary of the meeting. Ms. Ritter called the meeting to order and Edward Lilly presented a brief overview of the agenda.

## **I. Allocation of Maturing Proceeds in the Stable Income Fund (the “Fund”)**

David Starr of Dwight Asset Management (“*Dwight*”) discussed Dwight’s recommendation for the proceeds from the upcoming maturing T. Rowe Price finite synthetic guaranteed investment contract (“*GIC*”), two traditional GICs, and the closure of the Vanguard Prime Money Market fund effective April 1, 2009. It is anticipated that incoming proceeds to the Fund will total approximately \$858 million.

Mr. Starr indicated that Bank of America has agreed to provide an additional wrap capacity of \$300 million and Dwight proposes allocating \$300 million in the NISA core bond portfolio. He stated that this proposal is based on the fact that the Fund currently holds a large portion of its assets in cash or similar short term investment vehicles and the allocation to NISA will give the Fund more exposure to longer term securities and balance the Fund’s duration.

Mr. Starr stated that Dwight is recommending that the Board invest \$300 million in traditional GICs offered by New York Life and Metropolitan Life of which \$100 million would be placed with New York Life, maturing on March 31, 2011, and \$200 million with Metropolitan Life in two GICs, maturing on March 31, 2010 and March 31, 2012. Edward Cupoli questioned why these maturities were chosen. Mr. Starr responded that these maturity dates were chosen to maximize returns, maintain a short duration, and to coordinate with other future maturities.

Mr. Starr went on to state that Metropolitan Life and New York Life are not on Dwight’s internal watch list. Ms. Ritter questioned the likelihood of New York Life and Metropolitan Life being put on watch. Mr. Starr responded that Dwight is comfortable with the quality of both firms in that Metropolitan Life maintains a very large and diversified business model and has high credit quality, and New York Life remains a “mutualized” company that does not have to yield to shareholder pressures. Mr. Starr noted that there could be possible downgrades in credit quality due to market conditions, but he remains confident in their financial strength.

Mr. Starr advised that the balance of \$258 million would be placed in the BlackRock cash portfolio. He stated that the current yield is low but it is safe and does not require a wrap agreement. Mr. Cupoli questioned the risk, if any, in the cash account. Mr. Starr explained that BlackRock is a premiere money manager that utilizes very conservative investment guidelines. Due to the increase in the balance in the cash account, however, Mr. Starr indicated that he will review the need to consider an additional manager for cash management.

## **II. Changes to Investment Guidelines**

Mr. Lilly stated that in order to place \$300 million in the new wrap contract, Bank of America is requesting changes to the current investment guidelines for the bond managers in the Fund. Mr. Starr stated that Dwight has reviewed the changes and is comfortable with Bank of America’s requests. The changes lower the investment risks and adds new prohibited

investments in certain sectors of the market. Mr. Starr noted that these changes are consistent with the current limitations that wrap providers require of other stable value funds.

Mr. Lilly stated changes to the Fund's Investment Policy would be necessary to increase the amount of cash the Fund can hold from 10% to 25% and to incorporate the new investment guidelines. He went on to state that the current cash balance in the Fund is approximately \$450 million that will increase to approximately \$800 million after the allocation of incoming proceeds on April 1, 2009. Mr. Starr noted that the Plan's Fund is highly liquid and that this is a real strength in the current market.

Mr. Lilly presented a copy of the changes to the Investment Policy to the Board for approval. Ms. Ritter made a motion to accept the changes to the Investment Policy. Mr. Cupoli seconded the motion and the motion was approved.

Mr. Lilly then presented the proposed changes to the investment guideline exhibits included in each of the contracts of the bond managers in the Fund. Mr. Lilly advised that each bond manager must modify their portfolios to comply with these changes within six months. Ms. Ritter made a motion to accept the exhibit modifications for each manager. Mr. Cupoli seconded the motion and the motion was approved.

The last order of business was to accept Mr. Starr's recommendation for the allocation of maturing proceeds as follows: \$300 million to the NISA core portfolio, three \$100 million GICs as previously noted, and the remainder of the maturing assets to the BlackRock cash buffer account. Ms. Ritter made a motion to accept the recommendation for the allocation of maturing proceeds as proposed by Dwight. Mr. Cupoli seconded the motion and the motion was approved.

### **III. Adjournment**

There being no further matters for discussion, Ms. Ritter moved to conclude the public meeting. Mr. Cupoli seconded the motion, and the Board approved the motion. The Board meeting was then adjourned.

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Sharon DiMura  
Secretary of the Meeting