



**NYS DEFERRED
COMPENSATION
BOARD**

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FREDERICK J. JACOBS
DIANA JONES RITTER
MICHAEL A. AVELLA

May 30, 2008

Memorandum To: Files

Minutes of the May 30, 2008
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 May 30, 2008 in the following locations: Conference Room 2E at the offices of Shearman & Sterling LLP, at 599 Lexington Avenue, New York, NY 10022, and Room 335 at the New York State Capitol, Albany, NY 12247 (via video-conference). The meeting began at approximately 9:30 a.m. and adjourned at approximately 11:05 a.m. A separate memorandum to the files, also dated May 30, 2008, 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, Michael Avella

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

Shearman & Sterling LLP: Kenneth Laverriere, Elizabeth Roseman, Nicole Grospe (Legal Assistant)

Nationwide Retirement Solutions: Patrick Ray, Brenda Anderson, Tom Weber, Ric Whetro, Steve Angelis, Jill Chaney, Matt Riebel

Evaluation Associates LLC: Linda Schlissel

The Bank of New York Mellon: David Blakeley

Dwight Asset Management: David Westbrook

Michael Avella attended the meeting at the New York State Capitol, and Diana Jones Ritter and all other participants attended the meeting at the offices of Shearman & Sterling LLP.

NEW YORK STATE DEFERRED COMPENSATION BOARD
ROOM 124, EMPIRE STATE PLAZA CONCOURSE - NORTH
P.O. BOX 2103
ALBANY, NY 12220-2103
(518) 473-6619 Fax: (518) 473-7255

There were no members of the public in attendance.

Ms. Ritter acted as Chairperson and Nicole Grospe acted as Secretary of the meeting. Ms. Ritter called the meeting to order. Edward Lilly presented a brief overview of the agenda and noted the agenda items requiring a Board vote.

I. Approval of Minutes

After reviewing the minutes of the public meetings and executive sessions of the Board held on February 29, 2008 and April 17, 2008, Ms. Ritter motioned to approve the minutes, Mr. Avella seconded the motion, and the Board approved the minutes.

II. Executive Session

Ms. Ritter moved that the Board enter into executive session to discuss contract issues before the Board and Mr. Avella seconded the motion. The Board then conducted its business in executive session, whereupon Ms. Ritter moved to adjourn the executive session, which was seconded by Mr. Avella, and the Board returned to public session.

III. Selection of Administrative Service Agency (“ASA”)

Mr. Lilly presented Staff’s recommendation to select Nationwide Retirement Solutions (“*Nationwide*”) as ASA for the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the “*Plan*”), subject to successful negotiation of the terms of the contract based on the Request for Proposals (“*RFP*”) responses, subsequent interviews, quality of proposed services, and fees. Ms. Ritter moved to adopt the resolution. Mr. Avella seconded the motion, and the Board approved the selection of Nationwide as ASA for the Plan.

IV. Auditor Contract Extension

Next, Mr. Lilly presented Staff’s recommendation to extend the current contract with Clifton Gunderson until October 1, 2009. Mr. Lilly noted that an RFP will be issued for auditing services in January 2009. Ms. Ritter motioned to accept the recommendation of Staff to extend the current auditor contract until October 1, 2009, Mr. Avella seconded the motion, and the Board approved the extension.

V. Adoption of Proposed Rules Amendments

Mr. Lilly then presented Staff’s recommendation that the Board adopt two amendments to its Rules and Regulations. These amendments provide that an unbundled deferred compensation plan may (1) enter into contracts with an ASA, trustee, and investment managers for a term of up to ten years rather than five years, and (2) utilize a search process rather than an RFP when selecting financial organizations as investment managers for the Plan. The Board discussed the benefits of adopting these amendments and discussed an opinion given

by Shearman & Sterling LLP regarding the second amendment. Following a discussion about these amendments, Ms. Ritter moved to adopt the amendments as proposed, Mr. Avella seconded the motion, and the Board approved the proposed amendments to the Rules and Regulations of the Board. The Board also authorized Staff to take such action as necessary to finalize the adoption process.

VI. Adoption of Amendment to Stable Income Fund Investment Guidelines

Mr. Lilly next presented the Board with Staff's recommendation to adopt an amendment to the Stable Income Fund Investment Guidelines to allow Dwight Asset Management ("*Dwight*") to passively manage the assets from the cancelled April 2008 Dwight synthetic guaranteed investment contract and transfer certain cash balances to other managers as the securities under those contracts mature. After discussion, Ms. Ritter motioned to adopt the amendment to the investment guidelines to allow this procedure, Mr. Avella seconded the motion, and the Board approved the proposed amendment to the investment guidelines.

VII. International Equity Fund - Accrual/Fee Issue

Mr. Lilly then discussed the International Equity Fund and reviewed Staff's recommendation regarding the reapportionment of management and custody fees between the Active Portfolio and the Index Portfolio, the recalculation of the Index Portfolio NAVs from the end of September until the present, and reversal of the transition expense accrual in the Active Portfolio. After a discussion of these recommendations and additional safeguards to prevent future misallocations of fees, Ms. Ritter moved to accept Staff's recommendations regarding the International Equity Fund, Mr. Avella seconded the motion, and the Board approved Staff's recommendations.

VIII. Uncashed Check Policy

David Fischer presented the Board with Staff's proposed uncashed check policy. Mr. Fischer outlined the policy, which includes notices to participants who have outstanding uncashed checks after four and six months of issuance, and stopping additional distributions when two checks remain uncashed (except for required minimum distributions, which will continue at all times). The policy also recommended that partial lump sum distributions, except distributions to close an account, be permitted to be made through an ACH procedure. The Board discussed the proposed procedures. Following this discussion, Ms. Ritter made a motion to accept the uncashed check policy and authorizing partial lump sum payments by ACH as presented. Mr. Avella seconded the motion and the Board approved the uncashed check policy as presented.

IX. Retirement Education

Mr. Lilly next directed the Board's attention to updated pre-retirement materials developed by Staff and Nationwide. Mr. Fischer noted that the pre-retirement materials emphasize education and include a revised brochure, targeted inserts, and an improved outgoing

rollover form. The Board reviewed the materials and noted their support of the revised materials.

X. Investment Structure Presentation

Linda Schlissel presented the Board with recommendations for the overall investment structure of the Plan. Ms. Schlissel outlined the proposed three-tier structure and provided an analysis of the advantages of adopting such a structure. Ms. Schlissel also indicated that Evaluation Associates LLC (“*EAI*”) is in the process of evaluating the RFPs for the investment options and that a recommendation would be made in the next few weeks. The Board discussed the presentation and authorized EAI and Staff to proceed on the basis of the investment structure outlined by EAI.

XI. Revised Fund Monitoring Procedure

Ms. Schlissel discussed the revised approach to the current fund monitoring procedures in response to legal counsel’s concerns over the current reporting of heightened monitoring. Ms. Schlissel presented the Board with a revised procedure that will notify participants of “Current Fund Developments” in the newsletter and on the website. Ms. Schlissel noted that this would provide more specific and timely information and would reduce confusion regarding recent developments and performance issues. The Board discussed the proposed procedure and indicated their support for the revised procedure.

XII. Adjournment

Michael Avella left the meeting at approximately 11:05 a.m. The public meeting was adjourned because only one Board member was present. The remaining attendees continued in a working session.

XIII. Nationwide Presentation

Patrick Ray began the Nationwide presentation with an overview of a number of significant accomplishments achieved by the Plan over the past year. Mr. Ray highlighted the local employer email database, the completion of the required minimum distribution notification to Plan participants, the continuation and increased number of pre-retirement seminars, and the development of a personalized video of the Plan that is used by account executives at various workshops. Mr. Ray also noted that Nationwide submitted the PBHG settlement project to NAGDCA for consideration for an award at their annual conference.

Jill Chaney next discussed the HELPLINE activity and noted the increase in both call and service levels. Ms. Chaney reported that the HELPLINE was performing well this year, and predicted an increased call volume of up to 250,000 calls for the year.

XIV. Dwight Presentation

David Westbrook began Dwight's presentation with an update of the status of the Plan's Stable Income Fund (the "*Fund*"), focusing on the Dwight Finite Portfolio #1 ("*Dwight I*"). Mr. Westbrook recapped the Board's decision to terminate the Dwight I portfolio and associated JPMorgan wrap contract and to move that portfolio to the global wrap contracts. Dwight will continue to passively manage the securities previously in the Dwight I portfolio pursuant to the Stable Value Structure Manager contract and the Board adopted amendments to the Stable Income Fund Investment Guidelines. Mr. Westbrook noted that any cash accumulation in the Dwight I transition portfolio would be transferred to other managers when the securities mature. In response to concerns over the bond market conditions, Mr. Westbrook discussed the risks and benefits associated with the decision to terminate the JPMorgan wrap contract. A general discussion then followed among those present regarding the content of Mr. Westbrook's presentation.

XV. Performance Review

Ms. Schlissel presented a brief analysis of the International Equity Funds and the performance of the International Equity Fund managers. Ms. Schlissel noted that the investment managers are performing as expected.

XVI. Plan Budget

Mr. Lilly reviewed the 2008-09 Fiscal Year budget, highlighting the Plan's current positive balances. Mr. Lilly also noted that he would present additional information to the Board regarding the allocation of Plan administrative expenses among Plan participants at the September Board meeting.

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Nicole Grospe
Secretary of the Meeting