



**Deferred
Compensation
Board**

www.nysdcp.com

Diana Jones Ritter
Robert F. Mujica
Blake G. Washington

November 13, 2015

Memorandum To: Files

Minutes of the November 13, 2015
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 November 13, 2015, in Room 2E of the offices of Shearman & Sterling LLP in New York, New York. The meeting began at approximately 9:05 a.m. and adjourned at approximately 3:00 p.m. A separate memorandum to the files, also dated November 13, 2015, lists the materials prepared for and referred to during the meeting.

In attendance:

Board Members: Robert F. Mujica, Diana Jones Ritter, Blake G. Washington

Staff Members (“**Staff**”): David Fischer, Sharon Lukacs, Peter Drao

Shearman & Sterling LLP (“**S&S**”): Kenneth Laverriere, Kelly Hamren-Anderson, Rebecca Hayes

State Street Bank and Trust Company (“**State Street**”): Craig teDuits

GSAM Stable Value, LLC (“**GSAM**”): John Axtell, Marie Mastro

Callan Associates Inc. (“**Callan**”): Millie Viqueira, Tom Shingler

CliftonLarsonAllen LLP (“**Clifton**”): Thomas Rey

Nationwide Retirement Solutions (“**NRS**”): Jill O’Callaghan, Patrick Ray, Stephanie Lewis, Brenda Anderson, Katie Moore

New York State Deferred Compensation Plan
Room 124, Empire State Plaza Concourse – North
P. O. Box 2103
Albany, NY 12220-2103
(518) 473-6619 Fax: (518) 473-7255

The Vanguard Group
 (“*Vanguard*”):

Gerald Giardinelli, William J. LaBarge, W. Lee Norton

Diana Jones Ritter acted as Chairperson and Rebecca Hayes acted as Secretary of the meeting. Ms. Ritter called the meeting to order at 9:05 a.m.

At approximately 9:05 a.m., the Board went into Executive Session with S&S and Staff to discuss certain matters related to the Deferred Compensation Plan for Employees of the State of New York and Other Participating Jurisdictions (the “*Plan*”). The Board returned from Executive Session at approximately 9:45 a.m. and the public session resumed.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meetings held on August 27 and 28, 2015. Ms. Ritter moved to approve the minutes and they were unanimously approved.

II. APPROVAL OF PERFORMANCE CRITERIA

Ms. Ritter moved to approve the performance criteria report prepared by Staff and Clifton assessing the performance of NRS for the fiscal year ended March 31, 2015 and calculating the performance penalties to be applied for such year, and the report was unanimously approved. The Board thanked NRS for the improved performance from prior years, noting, in particular, the improvement in the availability of the participant Helpline.

III. STABLE VALUE STRUCTURE MANAGER PRESENTATION

Marie Mastro of GSAM reviewed the wind-down timeline for the Stable Income Fund’s (the “*Fund*”) insurance separate account contracts, explaining that the wind-down period would cause the market and book values of the contracts to converge as of the end of each contract’s term. Ms. Mastro noted that entering into a wind-down period for these contracts would have a negative impact on the Fund by reducing portfolio duration, which, in turn, would result in a corresponding reduction in yield and crediting rate.

Ms. Mastro then described GSAM’s plan to avoid a wind-down period for the Fund’s insurance separate account contracts as part of a three-phase strategy, starting in 2016. Ms. Mastro explained that, as part of the first phase of the strategy, GSAM plans to renegotiate the Mass Mutual contract in 2016 to unbundle the Babson Core Aggregate portfolio as a market value separate account and negotiate a new Mass Mutual synthetic wrap contract, without wind-down terms, to cover the amended market value separate account. Ms. Mastro then recommended steps to take as part of phase two, including issuing a Request for Proposals (“*RFP*”) in the fall of 2016 for a new short duration manager and reallocating assets to existing managers and wrap contracts in the fall of 2017. GSAM also noted its goals for fall 2017 and fall 2018 as part of phase three to issue an RFP for new short and intermediate duration managers to start by the fall of 2018. By the fall of 2018, GSAM indicated its goal of having four short duration managers, three intermediate duration managers, and one core manager.

A general discussion then ensued regarding the benefits of this strategy, which included a potential reduction in overall fees due to improved wrap capacity and a reduction in insurance separate account

exposure through the unbundling of the wrap and management portions of the separate insurance contracts, which necessitates the wind-down period. After further discussion, it was agreed that GSAM should proceed with implementing the strategy as outlined.

IV. STATE STREET OVERVIEW

Craig teDuits of State Street provided an overview of State Street's performance as trustee, noting for the Board no operational or implementation issues or concerns.

V. INVESTMENT CONSULTANT PRESENTATION

Millie Viqueira of Callan summarized Callan's recommendations regarding the Plan's investment structure, which was provided in detail to the Board, Staff, GSAM and S&S during the public Board meeting held on the previous day. A general discussion followed about Callan's recommendations, the timeline for next steps, the mapping of participant assets and the RFP process in connection with the new fund structure. Robert Mujica noted that Callan gave a compelling presentation about optimizing participant experiences and confirmed that the Board is generally open to streamlining the Plan's investment lineup. Mr. Mujica also highlighted the importance of combining the streamlined approach with enhanced communication and educational outreach to participants.

Tom Shingler of Callan then provided a market outlook. Mr. Shingler offered a performance review of each of the Plan's funds and noted that U.S. markets overall had a poor third quarter.

VI. AUDITOR PRESENTATION

Thomas Rey of Clifton provided the Board with an update of the audit process for the fiscal year ended March 31, 2015 and indicated the audit had been completed and that Clifton would be issuing an unmodified opinion. Mr. Rey further indicated that preliminary scheduling for the 2016 fiscal year audit had begun.

VII. 2016 PLAN ISSUES

A. 2016-2017 Administrative Budget

The Board discussed the proposed administrative budget for fiscal year 2016-2017. David Fischer of Staff noted that there is a minor increase in the budget from the previous year, the largest increase being due to higher fees for NRS, due to increased participation in the Plan, and Callan, due to an increase in RFPs.

B. 2016 Plan Issues

Mr. Fischer then discussed the anticipated focus of Staff for 2016, noting that substantial Staff efforts will be expended on administrative issues, RFPs, and Plan marketing and promotion.

C. Uncashed Checks Policy

Mr. Fischer then discussed the current practice of disclosing on the Plan's Web site a list by name of all participants who have uncashed checks and recommended, based on privacy concerns, removing this list

from the Plan Web site and working with NRS to develop a search process for uncashed checks that would not allow a participant to know the names of other participants who have uncashed checks. After discussion, Ms. Ritter moved to approve Mr. Fischer's recommendation and the motion was unanimously approved.

VIII. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Stephanie Lewis of NRS provided an update of NRS' security and Web site enhancements. Ms. Lewis demonstrated how to use the Interactive Retirement Planner and the Social Security estimation tools on the Plan Web site. Patrick Ray of NRS then provided an overview of participant outreach, annual adoptions and enrollments.

IX. PORTFOLIO REVIEW: THE VANGUARD GROUP

Gerald Giardinelli of Vanguard presented a high-level overview of the three Vanguard funds in the Plan's investment lineup – The Vanguard Wellington Fund, the Vanguard PRIMECAP Fund and the Vanguard Capital Opportunity Fund – as well as provided an overview of Vanguard's investment philosophy and each fund's sector diversification. William LaBarge of Vanguard discussed Vanguard's security measures and risk management compliance. Lee Norton of Vanguard reviewed the Plan's fund performance returns and noted fund highlights.

X. ADJOURNMENT

There being no further issues to discuss, the meeting was adjourned at approximately 3:00 p.m.

* * * * *

Rebecca Hayes
Secretary of the Meeting