



**NYS DEFERRED
COMPENSATION
BOARD**
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DIANA JONES RITTER
EDWARD M. CUPOLI
ROBERT F. MUJICA

February 20, 2015

Memorandum To: Files

Minutes of the February 20, 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 February 20, 2015, in Room 2E of the offices of Shearman & Sterling LLP in New York, New York. The meeting began at approximately 9:10 a.m. and adjourned at approximately 3:10 p.m. A separate memorandum to the files, also dated February 20, 2015, lists the materials prepared for and referred to during the meeting.

In attendance:

Board Members: Edward M. Cupoli, Robert F. Mujica, Diana Jones Ritter

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

Shearman & Sterling LLP
 (“**S&S**”) Kenneth Laverriere, Jennifer Stadler, Rebecca Hayes

The Bank of New York Mellon
 (“**BNYM**”): David Blakeley

GSAM Stable Value, LLC
 (“**GSAM**”): Marie Mastro, John Bisset, Ryan Lavin

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

Nationwide Retirement Solutions
 (“**NRS**”): Jill O’Callaghan, Patrick Ray, John Carter,
Brenda Anderson, Michael Carrel

Columbia Wanger Asset
 Management, LLC (“**Columbia**”): Eric Arvold, Bill Doyle, Rob Mohn

Other Attendees: Ed Lilly

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Diana Jones Ritter acted as Chairperson and Rebecca Hayes acted as Secretary of the meeting. Ms. Ritter called the meeting to order at 9:10 a.m.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meeting held on December 18, 2014. Ms. Ritter moved to approve the minutes and the Board unanimously approved the minutes.

II. INVESTMENT CONSULTANT PRESENTATION

Millie Viqueira of Callan gave a market overview and performance summary of the various investment options for the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the "*Plan*") over the last quarter and last year. She explained that the U.S. economy had shown steady growth, the inflation rate remained low and the U.S. dollar had strengthened. Ms. Viqueira also noted that small-cap companies performed better than large-cap companies in the fourth quarter, but that emerging markets struggled, largely due to the strength of the U.S. dollar. In response to a question from the Board, Ms. Viqueira confirmed that later in the year, Callan will present to the Board an analysis of alternative asset structures for the Plan. Ms. Viqueira then discussed the performance of individual funds, during which Ms. Viqueira answered various questions from the Board and Staff regarding individual fund performance.

III. 2015 PLAN ISSUES

A. Proposed 2015-2016 Budget

Dave Fischer presented the 2015-2016 fiscal year administrative budget to the Board, explaining that there were no significant changes to expenditures from the preliminary budget presented at the November 14, 2014 meeting. The anticipated overall expenditures is \$10,394,096, an increase of 3.0% from the 2014-2015 fiscal year. Based on current Plan assets and other budgetary assumptions, Mr. Fischer explained that the asset-based fee could be lowered from 4.2 bps to 4.0 bps. Mr. Fischer next explained the proposed Executive Budget, including a proposed General Fund appropriation of \$111,000 to support non-administrative Board responsibilities, noting that the amount is consistent with the appropriation approved for the 2014-2015 fiscal year. Edward Cupoli moved to approve the budget, Robert Mujica seconded the motion, and the Board unanimously approved the budget.

B. OSC Deferral Correction

Mr. Fischer provided an update on the corrective action being taken by the Office of the State Comptroller (the "*OSC*") to address certain Plan excess deferrals and the related tax reporting. Mr. Fischer noted that a letter explaining the issue had been sent to affected participants, and further noted that Staff and NRS were continuing to work with the OSC to determine the amounts of excess deferrals. He also noted that Staff expected to receive data on the amounts of the excess deferrals from the OSC during the second quarter of 2015.

At approximately 10:10 a.m., the Board went into executive session with Staff, S&S and Callan to discuss the negotiations with the new trustee for the Plan and the Request for Proposals for an administrative service agency that had been released in January 2015.

The Board returned from executive session at approximately 11:40 a.m. and the meeting went back into public session.

IV. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

John Carter, the President and Chief Operating Officer for Nationwide Retirement Plans, presented an overview of NRS, including NRS's achievements and business goals.

Michael Carrel, Vice President of Information Technology at NRS, discussed NRS's technological capabilities and recent developments including online enrollment, a social security and pension estimator tool, electronic forms and stronger online security. He explained that NRS is currently building the Plan's lockbox and distribution process that will be compatible with the system used by State Street, which is expected to begin transitioning to its role as the Plan's new trustee on April 1, 2015 and will assume the role of trustee on June 1, 2015.

Patrick Ray of NRS explained further updates to the "My IRP" enrollment platform and the Plan's eDelivery option for notices. He noted that since eDelivery had been implemented, over 23,000 participants had enrolled in the option. Mr. Ray presented the Plan highlights, noting that the number of participants in the Plan had increased by 3% and Plan assets had grown to over \$18 billion in 2014. Mr. Ray also highlighted the 71 new adoptions of the Plan in 2014 by towns, counties and other state entities. He presented the Plan's new "Follow Your Dreams" marketing campaign and noted that NRS is preparing a special employee newsletter to address the trustee transition. At the Board's request, Jill O'Callaghan of NRS presented a summary of hourly call volume on the Plan's HELPLINE.

Following the NRS presentation, David Blakeley of BNYM thanked the Board for the opportunity to work with the Plan and the other service providers. Ms. Ritter expressed her thanks on behalf of the Board for BNYM's service and strong performance despite the challenges faced by the Plan during BNYM's tenure as trustee for the Plan.

V. STABLE VALUE STRUCTURE MANAGER PRESENTATION

Marie Mastro of GSAM provided an overview of the performance of the Stable Income Fund. She discussed the demographics of the fund, noting that the fund has a higher balance associated with inactive participants than the overall Plan. She also discussed the fund's annual cash flow, explaining that both contributions and distributions had declined in the last five years, likely due to the strengthening market and increased investor confidence in equity investments during that period. She also noted that contributions less disbursements remained positive, an unusual result for a stable value fund, but also indicative of increased investor confidence. John Bisset of GSAM then provided an overview of the market. He explained that most of the sub-advisers of the fund have continued to outperform their benchmarks but warned that volatility may increase going forward due to energy-related and other geopolitical events.

VI. PORTFOLIO REVIEW: COLUMBIA ACORN USA

In anticipation of the presentation by Columbia, Ms. Viqueira provided a review of the Columbia Acorn USA fund and the managers of the fund. She also explained that the fund recently changed its portfolio manager structure, bringing in Bill Doyle to serve as a co-portfolio manager with Rob Mohn.

Following this introduction, Mr. Doyle, Mr. Mohn and Eric Arvold of Columbia joined the meeting. Mr. Arvold provided an overview of the management team and the structure of the fund. He stated that Columbia manages \$32 billion in assets with a domestic equity team consisting of 20 analysts, including 11 portfolio managers. Mr. Mohn, the lead portfolio manager, explained the fund's focus on small and mid-cap stocks, with a goal of finding longer-term investment opportunities with high growth potential that are sustainable for at least three to five years. Mr. Doyle then described the fund's research and investment strategy and the fund's proprietary equity research database. A general discussion followed regarding the Columbia presentation.

VII. ADJOURNMENT

There being no further issues to discuss, the meeting was adjourned at approximately 3:10 p.m.

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Rebecca Hayes
Secretary of the Meeting