



**NYS DEFERRED
COMPENSATION
BOARD**
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DIANA JONES RITTER
ROBERT F. MUJICA
BLAKE G. WASHINGTON

June 5, 2015

Memorandum To: Files

Minutes of the June 5, 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 June 5, 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 2:20 p.m. A separate memorandum to the files, also dated June 5, 2015, lists the materials prepared for and referred to during the meeting.

In attendance:

Board Members: 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, John Bisset, Ryan Lavin

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

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

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

T. Rowe Price Associates, Inc. (“**TRP**”): Christopher Dyer, Jerome Clark, Mark Andrusis

NEW YORK STATE DEFERRED COMPENSATION BOARD
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Member of the Public: Robert Steyer

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 February 20, 2015. Ms. Ritter moved to approve the minutes and they were unanimously approved, with due notation that Blake G. Washington was approving the minutes as a current Board member, but was unable to attest to the content of the minutes, as he was not a member of the Board at the time of the February 20th meeting.

At approximately 9:20 a.m., the Board went into executive session with S&S, NRS, GSAM, Clifton 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 11:00 a.m. and the public session resumed.

II. INVESTMENT CONSULTANT PRESENTATION

Millie Viqueira of Callan introduced Tom Shingler as a new member of the team. Mr. Shingler gave a market overview and performance summary of the various investment options for the Plan over the last quarter.

Ms. Viqueira provided a performance monitoring summary of individual funds. Ms. Viqueira noted that the Janus Perkins Mid Cap Value Fund has continued to underperform during the last quarter, in addition to performing poorly relative to the midcap benchmark index over the last four calendar years. Ms. Viqueira also expressed concern over recent changes in management, including the replacement of the fund’s CEO. As a result, Ms. Viqueira stated that Callan recommended terminating this particular fund and mapping the assets elsewhere. David Fischer of Staff expressed support for Callan’s recommendation, noting that the Staff has carefully monitored the fund’s performance.

A general discussion followed regarding the termination of the Janus Perkins Mid Cap Value Fund during which members of the Board questioned Ms. Viqueira and staff regarding the termination recommendation. Following this discussion, a motion was made and unanimously approved by the Board to terminate the Janus Perkins Mid Cap Value Fund from the Plan.

Mr. Shingler concluded with an overview of the Plan’s international equity portfolio and a review of the performance of the four active managers. Mr. Shingler noted for the record that Callan will be meeting with each of the international team managers in July.

III. 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 further indicated that he anticipated being on schedule to present audit findings to the Board at the August meeting.

IV. 2015 PLAN ISSUES

A. Selection of Administrative Service Agency

Mr. Fischer of Staff presented a proposal to renew NRS as the Board's administrative and recordkeeping agency for a seven-year term, commencing April 1, 2016, subject to the successful negotiation of a new administrative service agreement. Ms. Ritter moved to approve the resolution, and the Board unanimously approved the resolution. John Carter and Brenda Anderson of NRS thanked staff and the Board for the opportunity to continue working with the Plan and affirmed their strong commitment to the Plan participants.

B. Minority And Women Owned Business Enterprise Policy

Sharon Lukacs of Staff presented the Minority and Women Owned Business Enterprise Policy ("**MWBE**") annual report for approval to be posted to the Plan Web site. As part of the report, Ms. Lukacs provided an overview of the Staff's efforts to ensure that minority and women owned businesses were represented in the procurement process for the Requests for Proposals ("**RFPs**") issued during the 2014 Plan year. Ms. Ritter moved to accept the annual report, and the Board unanimously approved the report.

C. Investment Consultant RFP

Ms. Lukacs noted that the current term for the independent investment consultant services provided by Callan will expire March 31, 2016, and reported that Staff issued a Request for Proposals on May 6, 2015. Ms. Lukacs explained that Staff received 21 questions regarding the Request for Proposals and that June 5th was the deadline for the responses. She concluded that Staff will begin reviewing the proposals in July and work with the Board to schedule finalist interviews after the Staff's initial review is completed.

V. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Patrick Ray of NRS discussed the Trustee conversion, noting the transition to State Street as trustee to the Plan became effective June 1 with no reported disruptions to service-levels to Plan participants. Mr. Ray explained several initiatives undertaken to facilitate the conversion with participating employers. Mr. Ray also highlighted certain benefits of the conversion, including the development of more detailed distribution advice statements. Recognizing that the size and complexity of the Plan continues to grow, Mr. Ray noted that NRS has appointed Ric Whetro as a second administrator to the Plan, who has served in this role previously.

Mr. Ray provided an update on the Plan's eDelivery option, noting that there are currently a total of 28,858 participants enrolled in eDelivery. He also provided an update on the online interactive retirement planner.

Mr. Ray noted that participant enrollments are up 10% this year, which he attributed to a continuing decrease in the plan-level fees assessed against participants. Ms. Anderson of NRS noted that the Plan is the largest in the country, as well as one of the most cost-efficient plans operated by Nationwide. A general discussion then followed about the fees charged to participants and the impact of mutual fund reimbursements on participants.

After this discussion, Mr. Ray highlighted progress on model plan conversions, including Tompkins County, Buffalo-Fort Erie Bridge Authority and the Town of Rotterdam. Mr. Ray indicated that a new employer adoption kit is in progress that NRS hopes will improve the adoption process for eligible employers in the State. Finally, Mr. Ray discussed the Quarterly newsletter and noted that the electronic delivery of the newsletter and the rate at which participants open Plan newsletters have significantly increased.

VI. STABLE VALUE STRUCTURE MANAGER PRESENTATION

John Axtell of GSAM provided an overview of the performance of the Stable Income Fund (the "*Fund*") and the average credit quality and duration of the Fund. Mr. Axtell then discussed the increase in transfer activity from the Fund into other funds within the plan, which he noted was not surprising given that equity markets have been performing well. Mr. Axtell also noted that this activity was not cause for concern, as the Fund has a liquidity buffer to handle these types of withdrawals and core cash flows remain positive. A general discussion followed regarding the content of Mr. Axtell's presentation.

Mr. Axtell presented projections of the impact of an assumed increase in interest rates on the fund's crediting rate and market-to-book ratio. John Bisset of GSAM reviewed for the Board the performance of each of the separate account managers for the Fund.

Mr. Bisset discussed GSAM's recommendation to amend the Fixed Income Sector Investment Guidelines in the State of New York Deferred Compensation Board Stable Income Fund Investment Policies and Guidelines to reflect the new name: Barclays Emerging Markets Hard Currency Aggregated Bond Index. Ms. Ritter moved to amend the guidelines, and the Board unanimously approved the motion.

VII. PORTFOLIO REVIEW: T. ROWE PRICE RETIREMENT FUNDS

Christopher Dyer, Jerome Clark and Mark Andrusis of TRP joined the meeting and introduced themselves. Mr. Clark presented a high-level overview of the T. Rowe Price Retirement Funds (the "*Target Date Funds*") offered as investments choices in the Plan. Mr. Clark noted that the key differentiators for the Target Date Funds were their robust glide path, their underlying active management and their tactical asset allocation. Mr. Clark noted that the glide path is designed to support lifetime income after retirement and to balance the primary risks of the market, inflation and longevity. Mr. Clark then discussed the Target Date Funds' performance and noted that it has significantly outperformed industry benchmarks. A general discussion then followed regarding the content of Mr. Clark's presentation.

VIII. ADJOURNMENT

There being no further issues to discuss, the meeting was adjourned at approximately 2:20 p.m.

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Rebecca Hayes
Secretary of the Meeting