

Responses to Questions Submitted in Relation to

REQUEST FOR PROPOSALS FROM INDEPENDENT INVESTMENT CONSULTING FIRMS

- 1) How many other investment consulting firms are receiving the RFP?

16 firms received the RFP

- 2) Has the incumbent investment firm been invited to respond to the RFP?

Yes

- 3) Does the incumbent consultant provide all services to the Plan, including general services and consulting to the stable value fund?

The Plan's current consultant provides general consulting services as well as input regarding the Stable Value Fund. The Plan has a separate Stable Value Structure Manager (SVSM) that advises the Board on the Stable Value Fund. The investment consultant issues the RFPs, as needed, for investment managers for this fund, but overall recommendations as to the structure of the fund is the responsibility of the SVSM.

- 4) Have you had any turnover with the incumbent consulting firm's client team?

Yes. One member left the team within the past 6 months.

- 5) What strategic decisions are currently pending that the new investment consultant, should you decide to make a change, would be expected to help you with? What is the most important issue you are currently facing?

All of the Plan's mutual fund contracts are set to expire on 3/31/17. The Board is interested in doing a thorough review of the current investment structure and be prepared to issue RFPs in June 2016.

- 6) What amount of fees is charged by the incumbent consultant? Please provide the fee structure for the current consultant, including annual retainer and costs for additional searches/RFPs. Would you please detail the current consulting fees paid by the Plan for each component listed in Exhibit XI. What are the fees that the current advisor received

in 2014 for the services delivered? Was it one “all-in” fee, or was it broken down by individual services? If the latter, can you provide the breakdown by service.

This information will not be disclosed at this time. The Plan’s Web site: www.nysdep.com shows the Plan’s annual budget for each of its providers under the link for Plan Guidelines.

This is not an “all-in-one” fee. Please refer to the fee schedule for a breakdown of each service.

- 7) The scope of services indicates the consultant will attend quarterly Board meetings and also meet with the Board or legal counsel in Albany or New York City as requested. How many additional meetings, beyond the quarterly Board meetings, have typically been requested?

On average, an additional three meetings per year.

- 8) Would you provide the weightings for the evaluation criteria listed in the RFP?

Yes.

General Evaluation Criteria	Weight
1. Qualification of the organization as evidenced by experience, reputation, and clients over a substantial period of time.	10%
2. The ability of the organization to meet its contractual obligations and to provide services set forth herein.	10%
3. The organization’s experience with plans that meet the minimum qualifications under the IRC, including eligible state Section 457 Plans of the IRC.	10%
4. The organization’s familiarity with public pension systems and obligations of fiduciaries under ERISA, and similar federal and state statutes.	10%
5. The overall quality and scope of services to be provided.	15%
6. Overall cost efficiency of the proposal (fee structure and supplemental costs).	30%
7. The services described in the proposal are of the highest quality and soundness in all respects.	15%
Total	100%

- 9) Would you provide a copy of the current consultant’s most recent quarterly investment performance report. Please provide a copy of the most recent performance report and summary spreadsheet.

Please find a copy of the performance report attached to the end of the Q & A.

10) Would you provide a list of assets by investment option?

Please find a copy attached to the end of the Q &A.

11) Is there a preferred minimum coverage amount for fiduciary liability and error and omissions insurance?

The Board's Rules and Regulations require \$25 million in coverage.

12) Is the securities lending RFP issued on a stand-alone basis, or in conjunction with the trustee/custodian RFP?

Should the Board decide to enter into securities lending, this RFP will be issued on a stand-alone basis.

13) Do forms ST-220-TD and ST-220-CA have to be submitted prior to the contract award?

These forms are not required at the time of the RFP submission. They are required as part of the final contract with the selected firm.

14) How many investment manager searches were conducted last year? What is the typical average number of searches per year?

In 2014, the consultant issued one RFP for investments for the Stable Value Fund. The trustee/custodian RFP was also issued last year. Please refer to Exhibit G of the RFP for a detailed list of each vendor which will require an RFP and the contract expiration date. RFPs are issued approximately one year prior to the expiration date.

15) The RFP asks for examples of large public sector and corporate defined contribution plans with which we have worked in the past. Would 403(b) plans, such as those from private, large healthcare systems or higher educational institutions serve in this role as well?

Yes.

16) How many years has the incumbent been providing investment consulting services?

We have been working with our current investment consultant for four years.

17) Is the scope outlined in the RFP consistent with the current consultant's scope of work? If not, what items are different.

The scope outlined in the RFP is consistent with the current consultant's scope of work.

18) When was the last time the Plan conducted an investment menu review?

The last investment menu review was conducted in 2008.

a) Has there been any recent terminations or additions to the investment menu?

Yes

b) What was the reason?

Portfolio manager changes and/or underperformance.

c) If a termination, how were the assets mapped?

Assets from closed funds were mapped to similar funds in the Plan's core options.

19) The existing consulting contract includes a provision which precludes the consultant from doing business with any eligible deferred compensation plan, as defined by Section 457 of the IRC, in the State of New York. There is no mention of this provision in the RFP documents. Is this provision being eliminated?

Although not included in the RFP, this could be considered as part of contract negotiations.

20) In Section V of the proposal, Form and Substance of Proposals, it is stated that "all proposers must submit the enclosed proposal submission form along with their proposals". Is the Non-Collusive Proposal Form provided on page 17 of the RFP considered to be the aforementioned "proposal submission form"?

Yes. This form must be provided with your proposal.

New York State Deferred Compensation Plan

Process Date: Mar 31, 2015

<u>Manager</u>	<u>Plan Assets by Fund</u> <u>Manager</u>	<u>Participants per Fund</u>
Col Acorn USA Z	\$269,408,662.20	23,259
Davis NY Vntr A	386,932,895.27	26,216
Fed Clover Sm Val Inst	20,495,427.62	3,134
Fed Ttl Rtn Govt Bd Inst	195,053,770.12	20,134
Fid OTC	1,793,781,994.40	64,456
Hartford Cap App HLS IA	111,485,323.23	10,107
Intl Equity Fd-Active	536,813,044.29	49,154
Intl Equity Fd-Index	95,489,993.56	12,851
Jns Prkns MdCap Val N	70,522,521.13	9,227
LOANS	231,056,480.15	24,198
MSIF Emrg Mkt Eq I	302,028,065.71	34,540
Pax Wld Bal Inst	84,904,884.22	8,506
Prncpl LgCap Gr Inst	383,990,315.20	28,148
SCHWAB PCRA	122,312,215.66	1,603
Stable Income Fund	6,341,168,690.62	135,998
TRowePr Eq Inc	1,093,757,359.08	51,417
TRowePr Rtrmt 2010	71,505,879.47	3,783
TRowePr Rtrmt 2015	101,469,128.42	3,110
TRowePr Rtrmt 2020	301,354,798.82	11,353
TRowePr Rtrmt 2025	142,034,801.45	6,591
TRowePr Rtrmt 2030	229,811,439.39	12,312
TRowePr Rtrmt 2035	78,677,561.82	7,019
TRowePr Rtrmt 2040	130,880,395.22	10,775
TRowePr Rtrmt 2045	28,512,441.64	3,928
TRowePr Rtrmt 2050	16,396,135.98	2,516
TRowePr Rtrmt 2055	13,910,973.28	1,960
Vngrd Cap Oprr Adml	854,825,272.21	47,069

Vngrd Inst Indx Inst Pls	1,403,216,559.95	53,600
Vngrd MdCap Indx Inst Pls	284,964,117.33	20,244
Vngrd Prm Cap Adml	661,547,528.59	31,328
Vngrd SmCap Indx Inst Pls	285,482,292.16	21,301
Vngrd TtlBdMktIndx InstPls	510,102,278.79	35,274
Vngrd WIngtn Adml	1,024,720,260.57	44,223
WFA SmCap Val Inst	255,748,047.71	29,929
TOTAL	18,434,361,555.26	849,263

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended March 31, 2015. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2015

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Balanced Funds					
Pax World Balanced	0.79%	7.80%	9.15%	8.70%	5.14%
60% S&P 500/40% Barclays Agg	1.21%	9.90%	10.86%	10.70%	7.74%
Vanguard Wellington	0.85%	8.20%	11.52%	10.64%	7.86%
65% S&P 500/ 35% Barclays Credit A	1.39%	10.75%	12.24%	11.86%	8.32%
Target Date Funds					
TRP Retirement 2010	1.75%	5.05%	7.60%	7.95%	-
Retirement 2010 Index	1.85%	6.10%	7.75%	7.89%	5.59%
TRP Retirement 2015	2.07%	5.86%	8.88%	8.94%	-
Retirement 2015 Index	1.99%	6.71%	8.98%	8.86%	6.08%
TRP Retirement 2020	2.51%	6.56%	10.03%	9.80%	-
Retirement 2020 Index	2.09%	7.18%	9.99%	9.62%	6.41%
TRP Retirement 2025	2.86%	7.20%	11.04%	10.50%	-
Retirement 2025 Index	2.17%	7.60%	10.93%	10.29%	6.70%
TRP Retirement 2030	3.08%	7.70%	11.87%	11.10%	-
Retirement 2030 Index	2.23%	7.89%	11.69%	10.84%	6.92%
TRP Retirement 2035	3.36%	8.11%	12.49%	11.51%	-
Retirement 2035 Index	2.26%	8.05%	12.22%	11.20%	7.09%
TRP Retirement 2040	3.47%	8.34%	12.87%	11.75%	-
Retirement 2040 Index	2.30%	8.16%	12.55%	11.42%	7.24%
TRP Retirement 2045	3.50%	8.40%	12.87%	11.75%	-
Retirement 2045 Index	2.30%	8.16%	12.55%	11.42%	7.24%
TRP Retirement 2050	3.43%	8.34%	12.86%	11.74%	-
Retirement 2050 Index	2.30%	8.16%	12.55%	11.42%	7.24%
TRP Retirement 2055	3.46%	8.34%	12.85%	11.77%	-
Retirement 2055 Index	2.30%	8.16%	12.55%	11.42%	7.24%
Domestic Equity					
Large Cap Blend					
Davis NY Venture	1.98%	6.55%	13.89%	11.11%	6.31%
Hartford Capital Appr.	3.62%	9.61%	16.39%	12.40%	-
Vanguard Inst Ind Plus	0.95%	12.72%	16.11%	14.46%	8.98%
S&P 500 Index	0.95%	12.73%	16.11%	14.47%	8.95%
Large Cap Growth					
Fidelity OTC	4.83%	18.43%	19.32%	17.62%	14.16%
Principal Growth	3.98%	15.42%	15.48%	13.88%	-
Vanguard Prime Cap Adm	2.27%	15.68%	21.11%	16.01%	11.38%
Russell 1000 Growth Index	3.84%	16.09%	16.34%	15.63%	10.68%
Large Cap Value					
T Rowe Equity Income	(1.03%)	4.71%	13.31%	11.67%	7.18%
Russell 1000 Value Index	(0.72%)	9.33%	16.44%	13.75%	7.73%
Mid Cap Blend					
Vanguard Mid Cap	4.28%	14.89%	17.94%	16.10%	-
Vanguard Mid Cap Benchmark (1)	4.32%	14.95%	18.00%	16.16%	11.18%
Mid Cap Growth					
Vanguard Cap Opp Fd Adm	4.25%	17.76%	23.49%	15.79%	11.67%
Russell MidCap Growth Idx	5.38%	15.56%	17.41%	16.43%	11.24%
Mid Cap Value					
Janus Perkins Mid Cap Value	0.15%	7.02%	11.47%	10.05%	-
Russell MidCap Value Idx	2.42%	11.70%	18.60%	15.84%	10.94%
Small Cap Blend					
Vanguard Small Cap	4.81%	9.83%	17.58%	15.84%	-
Vanguard Small Cap Benchmark (2)	4.79%	9.82%	17.76%	15.90%	11.88%
Wells Fargo Adv Sm Cp Val	(2.75%)	(6.95%)	7.64%	7.03%	5.74%
Russell 2000 Value Index	1.98%	4.43%	14.79%	12.54%	8.94%
Federated Clover SmCap Val	1.36%	4.66%	13.93%	-	-
Russell 2000 Value Index	1.98%	4.43%	14.79%	12.54%	8.94%
Columbia Acorn USA	5.12%	8.22%	13.90%	13.54%	9.86%
Russell 2000 Index	4.32%	8.21%	16.27%	14.57%	10.47%

(1) Vanguard Mid Cap Benchmark represents the CRSP U.S. Mid Cap Index beginning first quarter 2013 and the MSCI U.S. Mid Cap 450 Index prior to that.

(2) Vanguard Small Cap Benchmark represents the CRSP U.S. Small Cap Index beginning first quarter 2013 and the MSCI U.S. Small Cap 1750 Index prior to that.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended March 31, 2015. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2015

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
International Equity					
Active International Equity	4.77%	1.01%	9.02%	4.91%	0.11%
Passive Intl Equity	4.99%	(1.01%)	8.88%	5.93%	1.31%
MSCI EAFE Index	4.88%	(0.92%)	9.02%	6.16%	1.55%
Dimensional Fund Advisors	3.58%	(4.09%)	-	-	-
MFS Institutional Advisors	5.99%	7.21%	-	-	-
MSCI EAFE Val Idx	3.89%	(2.90%)	9.03%	5.27%	0.99%
Manning & Napier Advisors	1.53%	(8.49%)	-	-	-
Wellington	5.84%	4.90%	-	-	-
MSCI EAFE Growth Idx	5.85%	1.05%	8.96%	6.99%	2.06%
Morgan Stanley Emerging	3.16%	(0.93%)	1.32%	2.27%	(0.32%)
MSCI Emerging Mkts Idx	2.28%	0.79%	0.66%	2.08%	0.95%
Fixed Income					
Federated Investors	1.35%	4.25%	1.98%	3.37%	3.59%
Barclays Govt	1.60%	5.22%	2.32%	3.80%	3.67%
Vanguard Total Bond	1.65%	5.63%	3.06%	4.37%	4.66%
Barclays Agg Float Adj (1)	1.66%	5.64%	3.14%	4.45%	4.72%
Stable Income	0.57%	1.91%	1.97%	2.22%	2.54%
ML 1-5 Treas	0.92%	1.91%	1.02%	1.78%	2.12%

(1) Prior to 12/31/09, the index was the Barclays Aggregate Index.