



**Deferred
Compensation
Board**

Diana Jones Ritter
Robert F. Mujica
Blake G. Washington

www.nysdcp.com

May 13, 2016

Memorandum To: Files

Minutes of the May 13, 2016
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 13, 2016, in Room 2E of the offices of Shearman & Sterling LLP in New York, New York. The meeting began at approximately 9:15 a.m. and adjourned at approximately 2:00 p.m. A separate memorandum to the files, also dated May 13, 2016, 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, James Reeves, Peter Drao

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

State Street Bank and Trust Company (“**State Street**”): Aaron Poulin, Jason Butler

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

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

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

Nationwide Retirement Solutions (“**NRS**”): Brenda Anderson, Jill O’Callaghan, Patrick Ray, Eric Stevenson

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

Fidelity Investments OTC Fund Gavin Baker, Ron Henry, Tom Rollins
 (“*Fidelity*”):

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 9:15 a.m.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the previous Board meeting (including the minutes for the Board’s Executive Session) held on February 26, 2016. Ms. Ritter moved to approve the minutes and they were unanimously approved.

At approximately 9:20 a.m., the Board went into Executive Session with S&S, Staff and Callan to discuss contracting 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 9:55 a.m. and the public session resumed.

II. SELECTION OF STABLE VALUE STRUCTURE MANAGER

Ms. Ritter announced that, after consideration of finalists and upon the recommendation of Staff and Callan, the Board selected GSAM as the stable value structure manager to the Plan’s Stable Value Fund (the “*Fund*”). David Fischer of Staff then read the resolution to select GSAM as the stable value structure manager for the Fund for a five-year term, commencing October 1, 2016, subject to the successful completion of contract negotiations. Ms. Ritter moved to approve the resolution and the Board unanimously approved it. John Axtell of GSAM then thanked Staff and the Board for the opportunity to continue working with the Plan.

III. INVESTMENT CONSULTANT PRESENTATION

Tom Shingler of Callan provided a market outlook for the first and second quarters, noting in particular the change in the equity market with value outperforming growth in the first quarter and the impact of negative interest rates abroad on yields in the domestic fixed income market. Millie Viqueira of Callan then offered a performance review of each of the Plan’s funds and Mr. Shingler provided the Board with updates regarding certain funds’ leadership and organizational changes.

IV. AUDITOR PRESENTATION

Thomas Rey of Clifton provided the Board with an overview of the audit process and noted that the preliminary work for the financial statement audit was substantially completed and that the results should be ready to present at the end of this summer.

V. PLAN ISSUES

A. REQUEST FOR PROPOSAL (“*RFP*”) PROCESS

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Sharon Lukacs of Staff provided an update on the progress of the RFPs that have already been issued for the Plan's investments and gave an overview of the timeline for the remaining RFPs for the investment option mutual fund contracts. In response to a request from the Board, Ms. Lukacs noted that she will provide regular monthly status updates to the Board regarding the RFPs that are underway.

B. 2015 – 2016 PLAN COSTS

Mr. Fischer noted that the plan costs memo will be delayed due to invoices not yet received.

C. MINORITY AND WOMEN OWNED BUSINESS ENTERPRISE (“MWBE”) REPORT

Ms. Lukacs discussed the annual MWBE report, reviewing the Plan's MWBE statistics and outlining the Staff's outreach efforts to ensure that minority and women owned businesses were represented during the administrative service agency and investment consultant RFP process in 2015. The report was acknowledged and accepted by the Board.

VI. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Patrick Ray of NRS provided an update of administrative matters, annual adoptions, and enrollments. In particular, Mr. Ray noted upcoming initiatives such as *DocuSign* and an improved file transfer system with the Office of the State Comptroller.

VII. DEPARTMENT OF LABOR (“DOL”) RULE CHANGE

Kenneth Laverriere of S&S provided the Board with an overview of the new DOL rule regarding fiduciaries. Mr. Laverriere noted that, although ERISA and the new DOL rule does not apply to the Plan, the new rule would likely affect the retirement market and have a number of indirect impacts on the Plan and its participants once it becomes effective in April of 2017. A general discussion then followed regarding the implications of the rule for the retail retirement market and the role of the Board as regulator for Section 457 plans in the State of New York.

VIII. STABLE VALUE STRUCTURE MANAGER PRESENTATION

Marie Mastro of GSAM provided a performance review for the Fund and noted that there were no significant changes in the duration or in the underlying strategy of the Fund. Ms. Mastro then reviewed the timeline for GSAM's future strategy to prevent the wind-down of the Fund's insurance separate account contracts and noted that the next project will be the RFP for a new short duration manager this fall.

Following this discussion, John Bisset of GSAM provided a review of the market and briefly reviewed sub-manager performance.

IX. PORTFOLIO REVIEW: FIDELITY OTC FUND

Gavin Baker, Ron Henry and Tom Rollins joined the meeting and introduced themselves. Mr. Baker then provided background information on Fidelity's investment strategy and the key long-term themes driving its strategy, noting in particular Fidelity's belief in the future growth potential for artificial intelligence and e-commerce. During the presentation, the Board asked Mr. Baker about risk management

and succession planning if Mr. Baker were to leave the fund. A general discussion then followed regarding Fidelity's risk management processes and portfolio construction.

X. ADJOURNMENT

There being no further issues to discuss, the meeting was adjourned at approximately 2:00 p.m.

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Rebecca Hayes
Secretary of the Meeting