



**Deferred
Compensation
Board**

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Diana Jones Ritter
Robert F. Mujica
Blake G. Washington

February 26, 2016

Memorandum To: Files

Minutes of the February 26, 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 February 26, 2016, in Room 2C 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 2:30 p.m. A separate memorandum to the files, also dated February 26, 2016, 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, James Reeves

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

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

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, Michael Carrel, Amanda Joslin, Kevin O’Brien, Jill O’Callaghan, Patrick Ray, Jeff Stein, Eric Stevenson

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T. Rowe Price Associates, Inc. Mark Andrusis, Christopher Dyer, John Linehan, William Nolan (“*T. Rowe*”):

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 Board meetings (including the minutes for the Board’s Executive Sessions) held on November 12, 2015 and November 13, 2015. Ms. Ritter moved to approve the minutes and they were unanimously approved.

At approximately 9:15 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 10:35 a.m. and the public session resumed.

II. BOARD RULES & REGULATIONS

A motion was carried to request a written opinion from the Attorney General’s office regarding the Board’s responsibility to enforce the Board’s Rules and Regulations with respect to Section 457 plans adopted by governmental authorities in the State of New York other than the Section 457 plan adopted by New York State.

III. 2016-2017 ADMINISTRATIVE AND EXECUTIVE BUDGETS

The Board discussed and approved the proposed administrative budget for fiscal year 2016-2017. David Fischer of Staff provided an update on the executive budget and noted it remains the same as the 2015-2016 executive budget.

IV. INVESTMENT CONSULTANT PRESENTATION

Tom Shingler of Callan provided a market outlook for the fourth quarter, noting in particular the Federal Reserve’s interest rate increase in December, as well as the volatility in the market due to the decrease in oil prices. Mr. Shingler offered a performance review of each of the Plan’s funds and provided the Board with updates regarding certain funds’ leadership and organizational changes.

In connection with upcoming changes to the Plan’s investment lineup, Kenneth Laverriere of S&S then provided a presentation regarding recent developments in plan fee litigation and the applicable provisions of the Board’s Rules and Regulations.

Following Mr. Laverriere’s presentation, Millie Viqueira of Callan summarized Callan’s recommendations regarding the Plan’s investment structure, which was provided in detail during the public Board meeting in November. Ms. Viqueira then reviewed again each of the key elements of the proposed investment structure and responded to various questions from the Board and Staff regarding the rationale for the structure and the implementation challenges. Ms. Viqueira then presented the anticipated timeline for the Request for Proposal (“*RFP*”) process for each of the funds that will go out to bid in 2016 and discussed

what considerations Callan is looking for from potential bidders. The Board unanimously agreed to move forward with Callan's plan regarding the investment structure. A general discussion then ensued regarding participant education and communication outreach in connection with the proposed changes to the Plan's investment structure, including ways to facilitate the transition for participants.

V. AUDITOR PRESENTATION

Thomas Rey of Clifton provided the Board with an overview of the audit process and noted that the audit for the 2016 fiscal year had begun.

VI. STABLE VALUE STRUCTURE MANAGER PRESENTATION

Marie Mastro of GSAM provided a performance review for the Stable Income Fund (the "*Fund*") and noted that there was positive cash flow into the Fund in the fourth quarter. Ms. Mastro then provided an update on the separate account contract negotiations with Mass Mutual. Ms. Mastro noted that GSAM had negotiated an amendment to the Mass Mutual insurance separate account contract to remove the stable value terms while leaving the Babson core strategy in place. In addition, GSAM negotiated a new, stand-alone synthetic wrap contract, without wind-down terms, to cover the amended market value separate account.

Ms. Mastro then explained the advantages of this approach, noting that it will limit disruptions and costs associated with replacing the Babson Core Aggregate portfolio due to the wind-down timeline required for bundled contracts as a result of the Plan's RFP requirements. Ms. Mastro also discussed the more favorable fee structure of the new, combined arrangement.

Mr. Laverriere explained that the amendments should not require the Board to rebid the contract because the investment management separate account contract, which is subject to Plan's Rules and Regulations regarding competitive bidding, would remain intact, whereas the renegotiated wrap contract is not subject to such RFP requirements.

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

VII. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Patrick Ray of NRS provided an update of administrative matters, annual adoptions, and enrollments. In particular, Mr. Ray noted that annual enrollments increased by 14% in 2015 over 2014. Amanda Joslin of NRS then discussed NRS' HELPLINE for the Plan and the recruitment and training processes used by the HELPLINE to promote diversity and improve participant service.

VIII. PORTFOLIO REVIEW: T. ROWE PRICE EQUITY INCOME FUND

Following some preliminary remarks from Callan, Christopher Dyer, John Linehan, William Nolan and Mark Andrusis of T. Rowe joined the meeting and introduced themselves. Mr. Nolan then provided background information on the investment team dedicated to the Plan and noted that John Linehan had recently been added to lead the investment team. Mr. Linehan discussed T. Rowe's overall investment philosophy and performance, as well as explained his long-term predictions for the market and individual

investment approach. During the presentation, the Board asked Mr. Linehan a number of questions regarding his investment strategy, including how market conditions factor into his investment decisions. A general discussion then followed regarding the content of Mr. Linehan's presentation.

IX. ADJOURNMENT

There being no further issues to discuss, the meeting was adjourned at approximately 2:30 p.m.

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Rebecca Hayes
Secretary of the Meeting