



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

August 26, 2014

Memorandum To: Files

Minutes of the August 26, 2014
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 August 26, 2014, in Room 2C of the offices of Shearman & Sterling LLP in New York, New York. The meeting began at approximately 9:00 a.m. and adjourned at approximately 2:25 p.m. A separate memorandum to the files, also dated August 26, 2014, 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, Peter Drao

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

The Bank of New York Mellon (“**BNYM**”): Michelle Cook

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

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

Nationwide Retirement Solutions (“**NRS**”): Brenda Anderson, Jill O’Callaghan, Stephanie Lewis, Katie Moore, Chris Nehoff, Patrick Ray

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

Hartford Capital Appreciation: (“**Hartford**”): Mike Zinkand

Other Attendees: Sabin Mancini

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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 9:00 a.m.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meeting held on May 16, 2014. Ms. Ritter moved to approve the minutes and the Board unanimously approved the minutes.

During a roll call of attendees, Sabin Mancini, a potential participant in the Plan, introduced himself and, after a brief description of personal issues he was having with Plan enrollment, left the public meeting to privately discuss his situation with Jennifer Stadler of S&S and Brenda Anderson and Jill O'Callaghan of NRS.

At approximately 9:10 a.m., the Board went into executive session with S&S, NRS and Staff to discuss certain Plan-related matters.

The Board returned from executive session at approximately 10:55 a.m. and the meeting went back into public session.

II. INVESTMENT CONSULTANT PRESENTATION

Karen McKechnie of Callan began by discussing Callan's recommendation to remove Eaton Vance's Large Cap Value Fund (the "*Eaton Vance Fund*") as an investment option through the Plan. Ms. McKechnie discussed the disappointing relative and absolute performance of the Eaton Vance Fund. Ms. McKechnie then discussed the retirement of Michael R. Mach, Eaton Vance's lead portfolio manager, and the significant changes that had occurred since his retirement, including the revision of the Eaton Vance Fund's portfolio guidelines and the reorganization of the investment team. A general discussion then followed regarding the advisability of continuing the Eaton Vance Fund as an investment option in the Plan. In response to a question, David Fischer reviewed for the Board the amount of the Plan's investment in the fund and the number of participants invested in the fund. After further discussion, Ms. McKechnie presented Callan's recommendation that the Eaton Vance Fund be removed as an investment option and the assets in the Eaton Vance Fund be transferred to an alternate investment option.

Ms. McKechnie further explained that, after considering the investment strategies of the Plan's various funds and the overall investment structure of the Plan, Callan recommended that the assets from the Eaton Vance Fund be mapped to the T. Rowe Price Equity Income Fund. A general discussion then followed regarding the elimination of the fund and alternatives for mapping assets. In response to a question, Ms. McKechnie noted that the net fee paid by participants in the T. Rowe Price Equity Income Fund would be lower than the net fee paid by participants in the Eaton Vance Fund. Following further discussion regarding the asset reallocation process and the effect on the overall Plan investment structure, Edward Cupoli motioned to adopt Callan's recommendation to remove the Eaton Vance Fund as an investment option and to map the assets to the T. Rowe Price Equity Income Fund. Robert Mujica seconded the motion, and the Board unanimously approved the recommendation. Ms. McKechnie noted that Callan would work with Staff to map the assets with the goal of completing the process by November or December of 2014.

After completing discussion of the Eaton Vance Fund, Ms. McKechnie then provided an overview of the performance of various Plan funds during the second quarter of 2014.

III. GENERAL PLAN ISSUES

A. 2013-2014 Audit Review

Thomas Rey presented a preliminary report of Clifton's audit review. Mr. Rey reported that no issues had been identified from Clifton's financial statement audit and the agreed upon procedures report. He noted that Clifton is waiting for further information from NRS to carry out the full audit of the performance criteria and expects to have the complete results of the audit by the next quarterly Board meeting.

B. October Fee Determination

Mr. Fischer reviewed the Plan's asset-based fee recommendations. He stated that the Plan's revenue and expenses met budgetary estimates and therefore recommended that the Board authorize him, as the Executive Director, to direct NRS to levy the asset-based fee at not less than 2.10 basis points, subject only to a final review by Mr. Fischer of asset levels of the Plan at the end of September 2014.

IV. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Chris Nehoff of NRS began by noting that participant usage of the Plan Web site, including the mobile Web site, had increased and, in response, NRS had expanded the Plan's mobile responsive Web design, thereby allowing the Web site to be accessed on a wide variety of mobile devices. Stephanie Lewis of NRS then demonstrated the interactive retirement planning tool that will be launched during the fourth quarter of 2014 and highlighted various features designed to make the tool customizable and user-friendly. Patrick Ray presented the Plan highlights and updated the Board on conversions to the State Plan. He explained that more and more state entities, particularly schools, have continued to adopt the Plan, and participant enrollment has continued to increase throughout New York State. Mr. Ray also presented an online appointment scheduling feature that could be used to facilitate participants' appointments with account executives and keep participants abreast of workshops and seminars. Mr. Ray concluded by highlighting staffing updates within NRS and the scheduled launching of a new eDelivery system for delivering account statements.

V. STABLE INCOME FUND STRUCTURE MANAGER PRESENTATION

John Axtell of GSAM began by updating the Board on the ongoing contract negotiations with the Stable Income Fund's three newly selected investment managers for separately managed fixed income portfolios and approved at the Board's May quarterly meeting. Kenneth Laverriere noted that negotiation of the three investment management contracts had been completed and that the only remaining point to resolve was the terms of the investment guidelines, which needed to be attached to each contract and which were being negotiated directly with the new investment managers by GSAM. Marie Mastro then discussed the state of negotiations with the wrap providers and the steps needed to finalize the investment guidelines. Ms. Mastro explained how GSAM was leveraging its existing wrap provider relationships to negotiate favorable terms with the wrap providers.

Ms. Mastro also explained the ongoing negotiations relating to the investment guidelines, and noted that some changes to the guidelines may be beneficial to take advantage of certain strengths of the new managers. She also provided an overview of the cash flow activities in the Stable Income Fund, noting significant redemption activities in April 2014, but confirmed that this did not presently pose any issue for the Stable Income Fund's liquidity buffer.

John Bisset of GSAM provided an overview of the overall economic activity during the second quarter of 2014. Mr. Bisset further discussed the Stable Income Fund's investment returns and the performance of each of the investment managers for the fund. In general, these managers continued to provide diversified sources of return while remaining in compliance with the investment guidelines. A general discussion then followed regarding the content of GSAM's presentation.

VI. PORTFOLIO REVIEW: HARTFORD CAPITAL APPRECIATION FUND

Ms. McKechnie of Callan provided an introduction to the Hartford Capital Appreciation Fund, a fund that is sub-advised by Wellington. In response to a question, Ms. McKechnie discussed the relationship between Hartford and Wellington, explaining that Hartford is the fund distributor and selected Wellington as the sub-advisor, and Wellington manages the assets of the fund.

Following this introduction, Mike Zinkand of Hartford joined the meeting. Mr. Zinkand provided an overview of Hartford, summarized Hartford's role in overseeing Wellington and discussed Wellington's approach to managing the fund. Mr. Zinkand further described the stock portfolio, investment strategy, leadership structure and oversight of Wellington. A general discussion then followed regarding Mr. Zinkand's representation. After answering a number of questions from the Board, Mr. Zinkand left the meeting.

There being no further issues to discuss, the meeting was adjourned at approximately 2:25 p.m.

Rebecca Hayes
Secretary of the Meeting