



**NYS DEFERRED  
COMPENSATION  
BOARD**

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DIANA JONES RITTER  
EDWARD M. CUPOLI  
JOSEPH F. PENNISI

January 7, 2011

**Memorandum To:** Files

Minutes of the January 7, 2011  
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 January 7, 2011, in Room 124 at the Empire State Plaza Concourse – North, Albany, NY 12223 and by videoconference from 347 Madison Avenue, New York, NY 10017. The meeting began at approximately 9:05 a.m. and adjourned at approximately 9:45 a.m. A separate memorandum to the files, also dated January 7, 2011, lists the materials prepared for and referred to during the meeting, a copy of which is included as an attachment hereto.

**In attendance:**

Board Members: Diana Jones Ritter<sup>1</sup>, Edward M. Cupoli, Joseph F. Pennisi

Staff Members ("**Staff**"): Edward Lilly, David Fischer, Sharon DiMura, James Kiyonaga<sup>2</sup>

Shearman & Sterling LLP ("**Counsel**"): Kenneth Laverriere<sup>2</sup>, Veronica Wissel<sup>2</sup>

Nationwide Retirement Solutions ("**NRS**"): Patrick Ray, Joseph Shapiro, Ric Whetro<sup>2</sup>

Evaluation Associates LLC ("**EAI**"): Linda Schlissel<sup>2</sup>

There were no members of the public in attendance.

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<sup>1</sup> Ms. Ritter participated via videoconference from 347 Madison Avenue, New York, NY.

<sup>2</sup> Mr. Kiyonaga, Mr. Laverriere, Ms. Wissel, Mr. Whetro and Ms. Schlissel participated via teleconference.

Diana Jones Ritter served as Chair and Sharon DiMura acted as Secretary of the meeting. Ms. Ritter called the meeting to order and Edward Lilly presented a brief overview of the agenda.

### **I. Selection of Small Cap Value Fund**

Linda Schlissel began the discussion by referring to the memo dated December 17, 2010 which summarized the interviews of the four small cap value managers that occurred on December 9, 2010. Based on the interviews and the Request for Proposals (“*RFP*”) responses, EAI recommended that the Board select Federated Clover Small Value Fund as the Plan’s small cap value manager. Ms. Schlissel noted that this fund maintains a strict small cap value style, has a strong track record, downside risk controls, and a stable portfolio management team located in Rochester, NY. Joseph Pennisi requested information on Clover’s performance record prior to joining Federated. Ms. Schlissel advised that it had a very good record and that the current portfolio team has been in place for 12 years. Ms. Ritter asked about minority firms who may have qualified for this mandate. Mr. Lilly stated that EAI identified three MWBE firms that offer small cap mutual funds. An RFP was sent to each firm and only one responded. That firm had high expenses, a poor performance record, and the submitted fund was characterized by Morningstar as a small cap blend manager. A short discussion ensued after which Ms. Ritter made the motion to select Federated Clover Small Value Fund for a six-year term. Mr. Pennisi seconded the motion, and the motion was approved.

### **II. Paperless Statements**

A proposal regarding paperless statements was submitted by NRS and was summarized in a memo dated December 27, 2010. Edward Cupoli inquired about the Disaster Recovery plan for NRS. Patrick Ray summarized the plan for Mr. Cupoli, which is mandated by the Board’s contract with NRS. Mr. Pennisi wanted to ensure that any net cost savings obtained by NRS by the initiation of paperless statements is returned back to the Plan in some manner. Mr. Lilly requested monthly statistics from NRS showing the number of participants electing this option, which will assist in determining any cost savings. Both Mr. Cupoli and Mr. Pennisi agreed that this analysis will need to be done. Mr. Ray assured that the analysis would be done and reminded that there were offsetting costs. Mr. Lilly suggested a motion to approve paperless statements. Ms. Ritter made the motion, Mr. Cupoli seconded the motion, and the motion was approved.

### **III. Adoption of Plan Document**

Mr. Lilly stated that since the last Board meeting on November 19, 2010, there were some IRS guidance and small technical modifications to the Plan Documents that the Board would need to approve prior to submission to the IRS for approval. Mr. Cupoli made the motion to adopt the State Plan Document, Mr. Pennisi seconded the motion, and the motion was approved.

At this time, Ms. Ritter departed the meeting to allow the Board to discuss the remaining agenda items pertaining to Model Plans.

#### **IV. Adoption of the Model Plan Document**

Mr. Lilly noted that the Model Plan Document had the same modifications as the State Plan Document and required a motion to adopt from the Board. Mr. Pennisi made the motion to approve the Model Plan Document, Mr. Cupoli seconded the motion, and the motion was approved.

#### **V. Audit Requirement Rule**

Mr. Lilly noted technical changes to the audit requirement Rule recommendation from Board staff regarding model plans. Mr. Pennisi questioned the effective date “for plan years ending on or after December 31, 2011.” Mr. Pennisi stated his preference for the new rules to be effective for plan years ending on or after December 31, 2010. Kenneth Laverriere suggested that the deadline for completing the audit requirements (after year end) be modified to ensure that the model plan sponsors have time to contract an auditor to conduct the 2010 plan year audit. A recommendation of lengthening the deadline from 6 months to 12 months for the first year of the new rule was made. Board members and Board staff agreed that this would be reasonable. Mr. Pennisi moved to approve the change to the model plan audit requirements, Mr. Cupoli seconded the motion, and the motion was approved. Mr. Lilly indicated a public hearing will be required sometime in March to allow for public comment on the rule change. Mr. Cupoli stated that he will be present to represent the Board.

#### **VI. Adjournment**

There being no further matters for discussion, Mr. Pennisi moved to conclude the public meeting, Mr. Cupoli seconded the motion, and the motion was approved. The Board meeting was then adjourned.

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Sharon M. DiMura  
Secretary of the Meeting