NYS DEFERRED COMPENSATION BOARD

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February 20, 2009

Memorandum To: Files

Minutes of the February 20, 2009
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 20, 2009, in Conference Room 2E at the offices of Shearman & Sterling LLP, at 599 Lexington Avenue, New York, NY 10022. The meeting began at 9:05 a.m. and adjourned at 2:10 p.m. A separate memorandum to the files, also dated February 20, 2009, 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, Edward M. Cupoli
Staff Members:	Edward Lilly, David Fischer, Sharon DiMura, Craig Dickinson, James Kiyonaga
Shearman & Sterling LLP:	Kenneth Laverriere, Elizabeth Roseman, Veronica Wissel, Lee Lowenthal (Legal Assistant)
Nationwide Retirement Solutions:	Tom Weber, Ric Whetro, Brenda Anderson, Patrick Ray, Jill O'Callaghan
Evaluation Associates LLC:	Linda Schlissel, Kathy Bajorinas
The Bank of New York Mellon:	Mary Dunleavy, Hanna Chan
Dwight Asset Management:	David Starr, Marie Mastro

Diana Jones Ritter served as Chair and Lee Lowenthal acted as Secretary of the meeting. Ms. Ritter called the meeting to order and Ed Lilly presented a brief overview of the agenda.

I. Approval of Minutes

After reviewing the minutes of the public meeting and executive session of the Board held on December 5, 2008, Ms. Ritter moved to approve the minutes, Mr. Cupoli seconded the motion, and the Board approved the minutes.

II. Evaluation Associates Presentation

Linda Schlissel of Evaluation Associates LLC ("***EAI***") presented the Board with an overview of economic and market developments since the last Board meeting and the impact of those developments on the assets and investments of the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the "***Plan***"). Ms. Schlissel noted the decline in the stock market and the negative outlook for the short term. Ms. Schlissel noted, however, the potentially positive impact of the economic stimulus package and ongoing de-leveraging of the markets. Edward Cupoli noted that the Plan is a long-term investment vehicle and is well positioned for long-term improvement and growth.

A discussion ensued regarding Plan communications and whether additional communications should be prepared in light of recent economic developments, particularly with respect to more conservative Plan investment options like the Stable Income Fund (the "***Fund***"). Ms. Schlissel commented that communications to participants that encourage asset allocation and long-term investment strategies are still appropriate in this economic climate.

Kathy Bajorinas of EAI then presented the Board with an overview of the quarterly performance of the Plan's investment options. Ms. Bajorinas also noted that the performance of the international equity portfolio was down 20.4% in the fourth quarter of 2008, which trails the EAFE index by .47%. Ms. Schlissel noted that AllianceBernstein has demonstrated weaker performance than the other managers and that EAI will continue to monitor its performance during 2009.

Ms. Schlissel noted that Northern Trust was significantly below its target allocation and recommended a rebalancing of the Active Portfolio. After a discussion of the target allocation of each manager and a timing of the rebalancing, the Board directed EAI and staff to take the necessary action to rebalance the Portfolio.

A discussion then ensued about the Plan's securities lending activities. Ms. Schlissel inquired as to whether the Plan's securities lending cash collateral was invested in Lehman Brothers Holdings Inc. Mary Dunleavy of The Bank of New York Mellon confirmed that the Plan's securities lending cash collateral was not invested in Lehman Brothers Holdings Inc. Ms. Schlissel also confirmed to the Board that the Plan had no exposure to the investment vehicles run by either Bernard Madoff or R. Allen Stanford.

Mr. Cupoli inquired as to the current procedure for alerting the Board to issues and developments that may impact the Plan. Ms. Schlissel and David Starr of Dwight Asset Management ("***Dwight***") explained that the current procedure is to immediately raise any issues or developments that may impact the Plan with Ed Lilly, the Plan's Executive Director. If Mr. Lilly determines that the issue will have a material effect on the Plan or Plan investments, he notifies the Board immediately. If the issue is not expected to have a material impact on the Plan or Plan investments, then the issue is brought to the Board's attention at the next Board meeting. The Board agreed with this procedure.

III. Stable Value Fund Review

Mr. Starr and Marie Mastro of Dwight provided the Board with an update regarding the issue of placement of the maturing proceeds in the Fund. Mr. Starr reminded the Board that the Fund has approximately $660 million maturing on March 31, 2009 from the T. Rowe Price finite synthetic guaranteed investment contract and two guaranteed investment contracts ("***GICs***"), and approximately $200 million being transferred from the Vanguard Money Market investment option that the Board had decided to close as of April 1, 2009. Mr. Starr and Ms. Mastro explained that Dwight has been unable to locate a wrap issuer that is willing to wrap the entire amount of the maturing assets. Mr. Starr and Ms. Mastro further explained that as a result of the deterioration in the markets, most wrap issuers are not issuing additional wrap contracts or providing existing clients with additional wrap capacity. The few issuers that are wrapping additional assets are requiring higher fees and changes to current investment guidelines. Mr. Starr reported that Bank of America, one of the Plan's current wrap providers, would wrap an additional $300 million but would require changes to the existing investment guidelines and a higher fee with respect to this additional capacity. Mr. Starr also discussed the other alternatives available to the Board, including: (1) delaying the transfer of the Vanguard Money Market fund into the Fund, (2) increasing the percentage of the Fund that is held in the cash account, or (3) exploring traditional GICs and continuing to seek new wrap provider contracts.

Dwight then provided the Board with an overview and explanation of the purpose of wrap contracts and the role that such contracts play in the Fund. Ms. Mastro explained that in simple terms, wrap contracts are a form of "insurance" from the wrap issuers that applies to the bond portfolios in the Fund. Under the global wrap arrangement, the wrap issuers will generally be required to make up any shortfall if the market value of the assets of the bond portfolios in the Fund is not sufficient to make the required book value payments to participants. Wrap insurance does not apply in all circumstances. The obligation of the wrap issuers to provide this insurance generally applies only if: (1) the assets of the cash account and a certain percentage of the bond portfolios are depleted, (2) the remaining assets of bond portfolios are insufficient to make the required book value payments, and (3) the withdrawals are participant-initiated and occur in the ordinary course of plan operation.

A discussion then ensued about whether to proceed with the termination of the Vanguard Money Market fund and the transfer of such assets into the Fund. Ms. Schlissel and Mr. Starr acknowledged that the Board could close the Vanguard Money Market fund to new investments but not transfer the assets to the Fund. Ms. Schlissel noted, however, that EAI continued to recommend that the Vanguard Money Market fund be eliminated and those assets be transferred to the Fund. Mr. Starr agreed and noted that money market funds on average show weaker performance than stable income fund vehicles with separately managed account structures. Ms. Schlissel also noted that eliminating the money market fund would be beneficial to the Plan since many wrap providers are particularly concerned about interest rate arbitrage given the current condition of the credit market. Mr. Lilly recommended that the Board direct Dwight to outline its recommendations for the maturing proceeds and transferring proceeds and provide such recommendations to the Board at a future Board meeting. The next Board meeting is scheduled for March 12, 2009.

Next, Ms. Schlissel reported on the results of the search process that EAI undertook at the request of the Board for new traditional separate account GICs. Ms. Schlissel explained that EAI contacted five potential providers and had discussions with representatives from each potential candidate. Ms. Schlissel reported that all representatives indicated that they would be unable to make an offer pursuant to the terms of the proposal and, accordingly, there are no separate account GICs to consider at this point.

Ms. Mastro then reviewed the performance and current structure of the Fund. Ms. Mastro indicated that the Fund was performing solidly, though market conditions have affected its overall value and performance. The assets of the Fund are currently valued at approximately $4.5 billion.

IV. Overview of Plan Developments

Mr. Lilly and other Board staff then presented the Board with an update of recent Plan developments.

A. Budget Update

Mr. Lilly noted that the Plan will experience some revenue constraints due to lower enrollment and the overall decrease in the value of the Plan. Mr. Lilly recommended that the Board impose the asset-based fee of four basis points and the $10 per-participant fee in April 2009, as was previously recommended. A discussion ensued regarding whether participant communications related to changes in the fee structure and investment options provided sufficient notice and disclosure to participants. Patrick Ray from Nationwide Retirement Solutions ("***NRS***") and Ms. Schlissel opined that communications were clear and provided sufficient disclosure regarding the changes. Ms. Ritter moved to initiate the new fee structure in April 2009, Mr. Cupoli seconded the motion, and the Board approved the implementation of fees in the manner described by Mr. Lilly.

B. ICAP

Mr. Lilly then informed the Board that he was contacted by Institutional Capital LLC ("***ICAP***"), which is a domestic equity fund that currently holds approximately $52 million in Plan assets, with regard to the scheduled April 1, 2009 closure of such fund and subsequent transfer of assets to another Plan investment option. ICAP informed Mr. Lilly that the Plan's shares in the fund would be redeemed in the form of stock, not in cash. Ms. Schlissel informed the Board that she contacted ICAP immediately upon learning of ICAP's intent to pay the Plan in stock and expressed that the Board expected ICAP to redeem in cash. The Board's counsel further confirmed that ICAP's Financial Services Agreement provides that all redemptions will be made in cash. Ms. Schlissel anticipated speaking again with ICAP on Monday, February 23, 2009, and hoped to have the issue resolved as a result of those conversations.

C. Request for Proposals for Plan Auditor

Mr. Lilly then discussed the Request for Proposals ("***RFP***") for a Plan auditor. Responses to the RFP are due on March 16, interviews will be conducted by Board staff, and Mr. Lilly will present the Board with a recommendation at the next quarterly Board meeting.

D. Putnam Settlement

David Fischer outlined staff's recommended distribution plan for the Plan's portion of the proceeds of the Putnam Fair Funds Settlement. Mr. Fischer noted that the proceeds are expected to be received on March 4, 2009 and that he intends to request reimbursement of the expenses related to the distribution plan from the Putnam Fair Funds Settlement. Following discussion, Ms. Ritter moved to approve the distribution plan of the Putnam Fair Funds Settlement, Mr. Cupoli seconded the motion, and the Board approved the distribution plan as presented by Mr. Fischer.

V. Nationwide Presentation

Mr. Ray presented to the Board an overview of NRS activities during the previous quarter. He discussed with the Board recent updates to the Plan website, including additional explanatory materials regarding the new investment options and fee structure. Mr. Ray also informed the Board that NRS will be preparing a strategy for online enrollment to increase participation in the Plan, and that NRS is exploring various "green" initiatives, including the potential for providing participants with the option of receiving paperless statements. Jill O'Callaghan discussed recent HELPLINE statistics. Tom Weber provided the Board with updated Plan statistics on enrollments, deferral activities, hardship withdrawals and loan requests. Mr. Weber noted that there has not been a dramatic decrease in deferral amounts and recognized the Board's efforts to continue to communicate to participants that the Plan is a long-term investment vehicle.

VI. Adjournment

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

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Lee Lowenthal
Secretary of the Meeting