



NYS DEFERRED COMPENSATION BOARD

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DIANA JONES RITTER
EDWARD M. CUPOLI

June 12, 2009

Memorandum To: Files

Minutes of the June 12, 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 June 12, 2009, in Conference Room 2E at the offices of Shearman & Sterling LLP, at 599 Lexington Avenue, New York, NY 10022, and the State University of New York at Albany, College of Nanoscale Science and Engineering, 255 Fuller Road, Albany, NY 12203 (via videoconference). The meeting began at approximately 9:00 a.m. and adjourned at 2:30 p.m. A separate memorandum to the files, also dated June 12, 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. Cupoli¹

Staff Members: Edward Lilly, David Fischer, Sharon DiMura, David Natoli

Shearman & Sterling LLP: Kenneth Laverriere, Elizabeth Roseman, Lee Lowenthal (Legal Assistant)

Nationwide Retirement Solutions: Matthew Riebel, Ric Whetro, Patrick Ray, Jill O'Callaghan, Carl Mann

Evaluation Associates LLC: Linda Schlissel, Kathy Bajorinas, Andrew Jaensch

The Bank of New York Mellon: Mary Dunleavy, Greg Wilcox

Dwight Asset Management: David Westbrook, Marie Mastro, Doug Viau, David Starr²

¹ Edward M. Cupoli attended the Board Meeting via videoconference.

² David Starr attended the Board Meeting via teleconference.

Clifton Gunderson: Thomas Heseltine

T. Rowe Price: Christopher Dyer, Timothy Noel, Jerome Clark

JP Morgan Asset Management: Kevin Howard, Kimberly Howells

One member of the public attended the meeting.

Diana Jones Ritter served as Chair and Lee Lowenthal acted as Secretary of the meeting. Ms. Ritter called the meeting to order and Edward 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 February 20, 2009, and March 11, 2009, respectively, Mr. Cupoli moved to approve the minutes, Ms. Ritter seconded the motion, and the Board approved the minutes.

II. SELECTION OF A PLAN AUDITOR

Mr. Lilly discussed responses to the Board's Request for Proposals (RFP) for an auditor for the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the "*Plan*"). Mr. Lilly noted that of the twenty auditing firms to which the Board directed the RFP, the Board received only one response. Clifton Gunderson was the sole respondent. A discussion ensued regarding Clifton Gunderson's response to the RFP, and the Board members noted the reasonableness of Clifton Gunderson's offer. The Board inquired as to the potential explanation for the lack of respondents to the RFP. Mr. Lilly noted that special efforts were made to reach out to other potential candidates, but given the scope and location of the work required of the Plan auditor, there were no additional respondents who were able or willing to meet the Board's requirements. Ms. Ritter then moved to select Clifton Gunderson for a new contract term of five years, Mr. Cupoli seconded the motion, and the motion was approved.

III. SELECTION OF BOND MANAGERS

Mr. Lilly then provided the Board with an overview of the RFP process for the selection of bond managers for the Stable Income Fund (the "*Fund*"). RFPs were issued for short and intermediate duration bond fund managers on February 2, 2009. The Board received a number of responses and David Starr and David Westbrook of Dwight Asset Management ("*Dwight*") and Board Staff interviewed four bond managers in each category as finalists. After ranking the candidates on several criteria, including overall return, diversity of assets, and other factors, Dwight recommended EARNEST Partners and Jennison Associates because of their solid returns and diversity of investment strategy compared to current bond managers of the Fund. After further discussion regarding the qualifications of the bond manager candidates, Ms. Ritter moved to select EARNEST Partners as a short duration stable income bond manager. Mr. Cupoli seconded the motion, and EARNEST Partners was approved as a bond manager. Ms.

Ritter then moved to select Jennison Associates as an intermediate duration stable income bond manager, Mr. Cupoli seconded the motion, and the motion passed.

IV. TECHNICAL AMENDMENTS TO INVESTMENT GUIDELINES

In response to the Board's request at an earlier meeting, Mr. Lilly then presented the Board with certain technical amendments to the investment guidelines of the Fund that incorporated a definitional section for certain industry terms used in the guidelines. Mr. Cupoli then moved to approve the amendments to the investment guidelines as proposed at the meeting. Ms. Ritter seconded the motion and the amendments were adopted.

V. EXCHANGE TRADED FUNDS

Mr. Lilly then gave an overview of increased interest among Plan participants in the ability to invest in Exchange Traded Funds ("*ETFs*") through the Self-Directed Brokerage Window Investment Option. A discussion ensued regarding the appropriateness and relevant considerations of allowing participants to invest in ETFs through the window program. Mr. Lilly noted that according to an informal survey he conducted, several other governmental plans participating in the National Association of Government Defined Contribution Administrators offer ETFs as an investment option. Ric Whetro of Nationwide Retirement Solutions ("*NRS*") added that other states serviced by NRS also allow investment in ETFs. Ms. Ritter moved to allow the Self-Directed Brokerage Window to offer ETF investment options, Mr. Cupoli seconded, and the motion was passed.

VI. PLAN INVESTMENT POLICY

Discussion then ensued regarding the Plan's Investment Policy. Mr. Lilly noted that the Investment Policy had not been revised since 2005 and recommended that it be revised to reflect the new investment structure of the Plan. Mr. Lilly then presented the Board with a proposed revised Investment Policy that had been reviewed and commented on by EAI and Shearman & Sterling LLP. Mr. Lilly asked the Board members to review the proposed revisions and deliver any comments so that a final version could be presented for approval at the September 3, 2009 Board meeting. Mr. Lilly noted that the proposed revisions were intended to simplify and clarify the investment structure and approach of the Plan and to ensure sufficient flexibility to account for future improvements and changes to the Plan.

VII. BUDGET OVERVIEW

Mr. Lilly gave an overview of the 2008-2009 Plan budget and noted that Board expenses were decreasing due to cost saving and efficiency on the part of the Staff. Mr. Lilly also provided a review of the expenses related to the Stable Income Fund and the Plan's International Portfolios.³

³ At this time, Mr. Cupoli left the meeting. For the period Mr. Cupoli was not present, the remaining members continued in a Working Session.

VIII. T. ROWE PRICE PRESENTATION

Christopher Dyer and Timothy Noel of T. Rowe Price (“*T. Rowe*”) presented an overview of the T. Rowe Equity Income Fund offered as an investment option under the Plan. Mr. Dyer discussed T. Rowe’s investment strategy and the composition of the portfolios holding Plan assets. T. Rowe next discussed the T. Rowe Retirement Date Funds that were added to the Plan’s investment options in April. Mr. Dyer and Jerome Clark discussed the asset allocation strategy and projected glide path of the Retirement Date Funds and noted the importance of appropriate communications with investors regarding these strategies in the prospectuses for the Retirement Date Funds.

IX. CLIFTON GUNDERSON AUDITOR REPORT

Tom Heseltine of Clifton Gunderson informed the Board that the audit of the Plan was substantially complete, but not yet finalized. Clifton Gunderson analyzed the Plan’s financial statements to ensure there were no material weaknesses and conducted an agreed upon procedures and performance criteria audit. Clifton Gunderson noted that the initial results of the performance criteria audit resulted in significantly reduced penalties than in the prior audit. Mr. Heseltine noted that Clifton Gunderson was working with NRS to verify the final results of the audit and the penalties associated with any failures. Ms. Ritter then informed Mr. Heseltine that Clifton Gunderson was approved for a five year contract as the Plan auditor and thanked him for his service to the Plan.

X. DWIGHT ASSET MANAGEMENT

David Westbrook of Dwight informed the Board that in conducting a portfolio review, Dwight identified a small number of securities held in one portfolio of the Fund that they view as being a type of security that should not be permitted by the Fund’s investment guidelines. Dwight advised the Board that it did not recommend that the investment manager be required to sell the securities immediately, but that the disposition of these securities should be at the discretion of the investment manager over the course of a short transition period.

Mr. Westbrook then noted that the Fund continues to experience positive cash flow, but also noted that there were fewer participant contributions into the Fund over the last few months, which may be a sign that participants are beginning to allocate more of their assets to equity investments.⁴

XI. NATIONWIDE RETIREMENT SERVICES PRESENTATION

Matthew Riebel, President of NRS, made a presentation to the Board regarding the financial status of NRS and its long-term goals and objectives.

Ric Whetro of NRS informed the Board that Plan operations have been successful during the latest quarter. He noted that the recent mapping of Plan assets and the implementation of the new per-participant fee structure were accomplished without difficulty.

⁴ At this time, Mr. Cupoli rejoined the meeting.

Patrick Ray of NRS then gave an overview of the Plan's new marketing initiatives, including the T. Rowe Price Retirement Date Funds workshop that describes the Plan's new tiered investment structure and the introduction of the T. Rowe Price Retirement Date Funds that allow participants to invest in a professionally allocated portfolio based on their projected retirement date. Mr. Ray also noted that NRS's increased use of electronic communications allows participants to access materials and information sessions on their schedule. Mr. Ray then summarized participant data for the previous quarter, including participant deferral rates, outreach efforts and conversions.

XII. EAI PRESENTATION

Linda Schlissel of EAI gave an overview of the investment performance of the domestic equity investment options during the previous quarter. She noted that investment performance was negative prior to March 2009, but recent improvements in the markets have had a positive impact on overall Plan performance since mid-March 2009. She also noted improvements in the international investment options, including AllianceBernstein and Tradewinds. Ms. Schlissel also noted that she continues to closely monitor the performance of the various international equity managers against the benchmark.

XIII. ADJOURN

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 at approximately 2:30 p.m.

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Lee Lowenthal
Secretary of the Meeting