



**NYS DEFERRED
COMPENSATION
BOARD**
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FREDERICK J. JACOBS
DIANA JONES RITTER
MICHAEL A. AVELLA

September 5, 2008

Memorandum To: Files

Minutes of the September 5, 2008
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 September 5, 2008, in the following locations: Conference Room 2J/K at the offices of Shearman & Sterling LLP, at 599 Lexington Avenue, New York, NY 10022, and Room 335 at the New York State Capitol, Albany, NY 12247 (via video-conference). The meeting began at approximately 9:00 a.m. and adjourned at approximately 3:00 p.m. A separate memorandum to the files, also dated September 5, 2008, 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, Michael Avella

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

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

Nationwide Retirement Solutions: Patrick Ray, Brenda Anderson, Thomas Weber, Ric Whetro, Jill Chaney-O’Callaghan

Evaluation Associates LLC: Linda Schlissel, Kathy Bajorinas

The Bank of New York Mellon: Mary Dunleavy

Dwight Asset Management: David Starr, David Westbrook

Clifton Gunderson: Thomas Rey

Michael Avella attended the meeting at the New York State Capitol, and Diana Jones Ritter and all other participants attended the meeting at the offices of Shearman & Sterling LLP.

There were no members of the public in attendance.

NEW YORK STATE DEFERRED COMPENSATION BOARD
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Ms. Ritter acted as Chairperson and Lee Lowenthal acted as Secretary of the meeting. Ms. Ritter called the meeting to order. Ed Lilly presented a brief overview of the agenda and noted the agenda items requiring a Board vote.

I. Approval of Minutes

After reviewing the minutes of the public meetings and executive sessions of the Board held on May 30, 2008 and August 7, 2008, Mr. Avella moved to approve the minutes, Ms. Ritter seconded the motion, and the Board approved the minutes.

II. Approval of Investment Options

Linda Schlissel of Evaluation Associates LLC (“*EAI*”) presented the Board with recommendations for the selection of investment options for the Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions (the “*Plan*”). Ms. Schlissel began by describing the process by which the Board’s Staff and EAI interviewed the finalists for the various investment categories. Next, Ms. Schlissel noted that the proposed investment options reflect the three-tier plan investment structure approved by the Board at the May 30, 2008 public meeting. Ms. Schlissel discussed each of the recommended investment options, including each fund’s capitalization category, past performance, expense ratio, size, responses to the Request for Proposals (“*RFPs*”), and responses given during the finalist interviews conducted by EAI and Staff. Ms. Schlissel recommended that the Board select the investment options attached hereto as Exhibit A. Ms. Schlissel noted that EAI was not currently recommending a mid-cap growth fund and indicated that such a recommendation would be forthcoming. A discussion ensued regarding the proposed investment options, EAI’s recommendations for mapping assets of closed funds, and the proposed participant communication strategy. Mr. Lilly indicated that Staff was recommending a term of eight years for each investment option contract. A discussion then ensued regarding the proposed eight-year term of these contracts. Following this discussion, Ms. Ritter moved to adopt a Resolution regarding the selection of investment options for the Plan as set forth on Exhibit A, in each case for an eight-year term. Mr. Avella seconded the motion, and the Board approved the Resolution in relation to the selection of investment options as presented at the meeting and attached hereto as Exhibit A.

III. Discussion of Socially Responsible Investment Options

Ms. Schlissel then directed the attention of the Board to the materials relating to socially responsible investment options. Ms. Schlissel noted that the socially responsible mutual funds that responded to the Board’s RFP for investment options did not meet the Board’s minimum assets under management qualifications as set forth in the RFP. The Board indicated its preference to offer participants a socially responsible investment option, but only if a socially responsible fund could be located that was sponsored by a strong organization and demonstrated consistently good performance. Ms. Schlissel indicated that her preliminary research into socially responsible funds indicated that only a small number of socially responsible funds would meet these qualifications. A discussion ensued regarding the minimum threshold for assets under management that would be necessary to allow additional socially responsible funds to be

considered by the Board. Following this discussion, the Board directed EAI to issue an RFP for socially responsible funds. The minimum assets under management were set at \$1 billion in total firm assets under management and \$200 million in the individual product.

IV. Fee Schedule

Next, Mr. Lilly presented the Board with Staff's recommendation for a revised participant fee schedule. Mr. Lilly provided an overview of various alternatives for a participant fee schedule. Mr. Lilly also noted the fee structures in place at various other government deferred compensation plans around the country. Mr. Lilly recommended that the Plan establish an annual \$20 per participant fee combined with an asset-based fee on the total assets of any participant with an account balance over \$20,000. Mr. Lilly noted that this approach would allow the Plan to have sufficient income to cover the administrative expenses, but would also allow mutual fund reimbursements to be credited to participant accounts that were invested in the mutual fund at the time of the reimbursement. A discussion ensued regarding the proposed participant fee schedule and the communication strategy for the revised fee schedule. Following such discussion, Ms. Ritter moved to approve the proposed fee schedule. Mr. Avella seconded the motion, and the Board approved the fee schedule contingent upon the approval of Mr. Jacobs.

V. Waiver of September Semi-Annual Fee

After a discussion regarding expected Plan revenues and expenses, Ms. Ritter moved that the Board waive the semi-annual participant fee that would otherwise be levied in September 2008. Mr. Avella seconded the motion and the Board approved the waiver of the semi-annual participant fee.

VI. Renewal of Evaluation Associates Contract

Mr. Lilly presented the recommendation of Staff to extend EAI's current contract with the Board until March 31, 2010. Ms. Ritter moved to approve the contract extension, Mr. Avella seconded the motion, and the Board approved the motion.

VII. Executive Session

Ms. Ritter moved that the Board enter into executive session to discuss the Performance Audit of Nationwide Retirement Solutions as conducted by Clifton Gunderson. Mr. Avella seconded the motion. The Board then conducted its business in executive session. Ms. Ritter moved to adjourn the executive session upon conclusion of this business. Mr. Avella seconded the motion, and the Board returned to public session.

VIII. Stable Income Fund (the "*Fund*")

A. Allocation of Maturing Proceeds and Wrap Contract Review

David Starr and David Westbrook from Dwight Asset Management ("**Dwight**") informed the Board that five traditional Guaranteed Investment Contracts ("**GICs**") would

mature prior to October 1, 2009 and that the contract for one finite wrapped bond portfolio would expire on March 31, 2009. The total assets in these GICs and bond portfolio exceed \$1 billion. Mr. Starr presented a preliminary analysis and strategy for the allocation of these assets among the remaining wrapped bond portfolio managers. A final recommendation of the asset allocation will be made at the meeting prior to each maturity.

Mr. Starr and Mr. Westbrook then reviewed the configuration of the finite and constant duration bond portfolio managers and the manner in which each portfolio was subject to a wrap contract (portfolio-specific wrap or part of the global wrap contract). Mr. Starr recommended that the Board authorize Dwight to negotiate with each bond portfolio manager subject to a portfolio-specific wrap contract to move those portfolios under the global wrap structure. The Board discussed the benefits of the implementation of this recommendation with Dwight. Mr. Westbrook noted that the Board has the authority to terminate the fund-specific wrap contracts and that the firms providing that service would not object because they are currently part of the global wraps. The Board directed Dwight to proceed with this recommendation and report to the Board at the December meeting.

Mr. Starr also discussed the Plan's limited exposure to mortgage-backed securities.

B. Recommendation for an Additional Sub-Manager

Mr. Starr discussed a recommendation to add an additional sub-manager to the Fund in light of the significant amount of proceeds maturing in the next year and the potential for additional assets to be invested in the Fund from closed investment options. Mr. Lilly stated that a time period of at least nine months would be necessary to locate an additional sub-manager and that any decisions concerning an additional sub-manager should be made at the next Board meeting. The Board requested that Dwight prepare a short summary of potential issues or concerns relating to the addition of a sub-manager for the next Board meeting.

C. Amendment of NISA's Investment Guidelines

Mr. Starr then directed the Board's attention to a request by NISA to amend the investment guidelines applicable to the core investment portfolio that permit NISA the discretion to invest in credit securities that are rated the equivalent of Baa3 or better by either Moody's or S&P rather than a minimum rating of Aaa2 or better. Mr. Starr noted that the addition of Baa3-rated securities to the portfolio would allow NISA to have a more diversified portfolio and would more closely align NISA's investment guidelines with the investment guidelines of the Fund's other core portfolio investment managers. A discussion ensued regarding the proposed changes to NISA's investment guidelines and it was noted that Baa3 rating was investment grade. Following this discussion and based on the recommendation of Dwight, Mr. Avella moved to adopt a Resolution to amend NISA's investment guidelines for its core portfolio to allow NISA to invest in credit securities that are rated Baa3 or better, Ms. Ritter seconded the motion, and the Board approved the amended investment guidelines.

A request by NISA to amend the investment guidelines applicable to the finite synthetic GIC managed by NISA was discussed but not approved by the Board.

Michael Avella then left the meeting at approximately 1:05 p.m. The attendees continued the meeting in working session.

D. Dwight Presentation

Mr. Westbrook then reviewed the performance and the current structure of the Fund. A discussion ensued regarding the diversification of the Fund. Mr. Westbrook indicated that the Fund was performing as expected and is projected to continue to do so.

IX. Nationwide Presentation

Patrick Ray began the Nationwide Retirement Solutions (“*Nationwide*”) presentation with an overview of recent activities of Nationwide, including the recent Age 50+ catch-up contribution mailing, the local employer e-mail database, and the implementation of the uncashed check policy. Mr. Ray noted that the implementation of the uncashed check policy resulted in a substantial reduction in the number of outstanding uncashed checks from participant accounts. Mr. Ray also discussed recent deferral activity, incoming rollovers, and enrollment activity. Jill Chaney-O’Callaghan next discussed the HELPLINE activity and service levels. Mr. Ray also requested comments on the draft third quarter newsletter included in the meeting materials.

X. Performance Review

Kathy Bajorinas presented a brief overview of the quarterly performance of the Plan’s investment options. Ms. Bajorinas identified the best performing fund within each investment category and discussed the performance of the international portfolios.

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Lee Lowenthal
Secretary of the Meeting

Exhibit A

Large Blend

- Hartford Capital Appreciation
- Davis NY Venture
- Vanguard Index

Large Growth

- Principal Large Cap Growth
- Fidelity OTC
- Vanguard PrimeCap
- Fidelity Magellan
- Janus Fund

Large Value

- Eaton Vance Large Cap Value
- T. Rowe Price Equity Income

Mid Blend

- Vanguard Mid Cap Index

Mid Value

- Janus Mid Cap Value

Small Value

- MSIFT US Small Cap Value

Small Blend

- Vanguard Small Cap Index
- Wells Fargo Small Cap Value

Small Growth

- Columbia Acorn USA

International Emerging Markets

- MSIFT Emerging Markets

Balanced

- Vanguard Wellington

Bond

- Federated Total Return Government
- Vanguard Total Bond Index

Target Date

- T. Rowe Price Retirement Funds

