



NYS DEFERRED COMPENSATION BOARD

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DIANA JONES RITTER

EDWARD M. CUPOLI

ROBERT F. MUJICA

February 24, 2012

Memorandum To: Files

Minutes of the February 24, 2012
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 24, 2012, in Conference Room 2E at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, NY 10022 and via videoconference at Room 335 of the New York State Capitol, Albany, NY 12247. The meeting began at approximately 9:00 a.m. and adjourned at approximately 2:40 p.m. A separate memorandum to the files, also dated February 24, 2012, lists the materials prepared for and referred to during the meeting.

In attendance:

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| Board Members: | Edward M. Cupoli, Diana Jones Ritter, Robert F. Mujica ¹ |
| Staff Members (“ Staff ”): | Edward Lilly, David Fischer, Sharon DiMura |
| Shearman & Sterling LLP (“ Counsel ”): | Kenneth Laverriere, Veronica Wissel, Beth Rubenstein, Adrienne Hart (Legal Assistant) |
| The Bank of New York Mellon Corporation (“ BNYM ”): | Greg Wilcox |
| Nationwide Retirement Solutions (“ NRS ”): | Ric Whetro, Patrick Ray, Jill O’Callaghan, Brenda Anderson, Marc Metzger |
| Dwight Asset Management Company LLC (“ Dwight ”): | Marie Mastro, David Starr |
| CliftonLarsonAllen LLP: (“ Clifton ”): | Thomas Rey |
| Callan Associates Inc. (“ Callan ”): | Mark Kline, Karen McKechnie |
| T. Rowe Price: (“ T. Rowe Price ”) | Wyatt Lee, Jerome Clark, Christopher Dyer, Mark Andrusis |

¹ Mr. Mujica attended the meeting via videoconference.

Diana Ritter acted as Chairperson and Adrienne Hart acted as Secretary of the meeting. Ms. Ritter called the meeting to order.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meeting held on November 18, 2011. Ms. Ritter moved to approve the minutes. Edward Cupoli seconded the motion, and the Board unanimously approved the minutes.

II. GENERAL PLAN ISSUES

A. 2012 Plan Issues

Edward Lilly gave an overview of upcoming matters affecting the New York State Deferred Compensation Plan (the "**Plan**") in 2012. Mr. Lilly discussed budgeting issues as well as contract issues. He explained that since various contracts will be expiring in 2012 and the early part of 2013, Board staff members ("**Staff**") plan to issue Requests for Proposals ("**RFPs**") for those contracts.

B. 2012-2013 Administrative Budget

Mr. Lilly presented an administrative budget update, for fiscal year 2012-2013, to the Board. Mr. Lilly stated there is a 1.0% increase in the budget from fiscal year 2011-2012. Mr. Lilly attributed the increase largely to the higher number of Plan participants and the per-participant fee payable to Nationwide Retirement Solutions ("**NRS**").

There being no questions regarding the budget, Ms. Ritter moved to approve the budget. Mr. Mujica seconded the motion, and the Board unanimously approved the budget.

C. 2012-2013 State Budget

Mr. Lilly reviewed the Board's proposed Executive Budget from the State of New York. Mr. Lilly explained that this budget was divided into two appropriations--the General Fund, which accounts for Board activities unrelated to the administration of the Plan; and the Special Revenue Fund, which accounts for Staff salary, travel expenses and office rent and materials. Discussion ensued regarding the proposed appropriations.

D. MWBE Policy

Mr. Lilly gave an overview of the provisions of the State Finance Law regarding the establishment of a Minority and Women-Owned Business Enterprises Policy ("**MWBE Policy**") and the content of the proposed MWBE Policy to be adopted by the Board. Mr. Lilly noted that the proposed MWBE Policy formalizes the procedures that the Board has historically followed to encourage MWBE participation in the Board's procurement procedures. Mr. Lilly also discussed briefly the documentation and annual reporting requirements of the MWBE Policy.

Mr. Lilly then presented a brochure discussing Callan Associates Inc.'s ("**Callan**") policy of including women- and minority-owned companies in its RFP process. Mark Kline, of Callan, discussed Callan's outreach procedures to MWBEs.

Mr. Cupoli requested some technical changes to the MWBE Policy. Ms. Ritter then moved to adopt the MWBE policy in substantially the form presented, subject to any technical edits suggested by Mr. Cupoli. Mr. Cupoli seconded the motion, and the Board unanimously approved the motion.

E. Contractual Issues

At this time, the Board briefly discussed the purchase of Dwight Asset Management Company LLC (“*Dwight*”) by Goldman Sachs Asset Management (“*GSAM*”), indicating that further discussion would ensue later when Dwight joined the meeting. Mr. Lilly then gave an overview of the status of the international fund investment management agreements. It was noted that all contracts have been completed and signed by all five managers and were ready for signatures from the Board. Mr. Kline noted that the transition of the portfolio managers is in mid-June and will be handled using a transitioning manager.

The Board then determined to go into Executive Session to discuss contractual issues related to Dwight’s acquisition by GSAM. Ms. Ritter moved to go into Executive Session, Mr. Cupoli seconded the motion and the motion was unanimously approved.

III. EXECUTIVE SESSION

The Board then conducted its business in Executive Session, whereupon Ms. Ritter moved to close the Executive Session. Mr. Cupoli seconded the motion, and the motion was unanimously approved.

IV. STABLE INCOME FUND PRESENTATION

David Starr and Marie Mastro from Dwight gave an overview of the GSAM purchase of Dwight. Mr. Starr noted that Dwight will be seeking the consent of the Board for the transaction to comply with regulatory requirements. Mr. Starr noted that after Dwight’s counsel’s review of the various investment and wrap contracts relating to the Plan’s Stable Income Fund (the “*Fund*”), Dwight had determined that the contemplated transaction would not trigger any adverse consequences under the contracts. Discussion ensued regarding the transaction and the proposed consent. Ms. Ritter moved to delegate the authority to sign the consent to Mr. Lilly, after consultation with legal counsel and subject to a subsequent debriefing of all three Board members. Mr. Mujica seconded the motion, and the Board unanimously approved this motion.

Ms. Mastro then provided an update of the Fund and the Fund’s performance. Ms. Mastro highlighted the contract maturity schedules and noted that several investment manager contracts will be expiring this year. Ms. Mastro noted that JP Morgan has determined to phase out its existing wrap contracts. JP Morgan gave notice to the Plan that it intends to terminate the wrap agreement by March 13, 2013. Ms. Mastro assured the Board that Dwight is working diligently on this transition. Mr. Lilly then gave the Board an update with respect to the forthcoming RFP related to the Fund.

Ms. Mastro then discussed the performance of the Fund’s portfolio. The yield of underlying investments was around 2%, and the continual cash flow trend remained positive for almost every month. Ms. Mastro discussed the Fund’s performance as of year-end, and provided an update on the fixed income market and sub-manager returns. A general discussion then ensued regarding the content of Dwight’s presentation.

V. NRS PRESENTATION

Patrick Ray from Nationwide Retirement Services (“*NRS*”) introduced Marc Metzger, Manager of Internet Marketing at NRS. Mr. Metzger gave an overview of the Plan website redesign. Board members discussed new technologies that can be used on the Plan website and encouraged Mr. Metzger to explore several additional website applications.

Jill O’Callaghan, of NRS, then gave an overview of HELPLINE activity over the last quarter, and Mr. Ray discussed other administrative activities of NRS. Mr. Ray noted that the Plan won the 2012 *Pensions & Investment’s* Eddy Award in the category of fee disclosure and education and has been selected as a finalist for the *Plan Sponsor of the Year Award* from *Plan Sponsor Magazine*. Discussion ensued regarding NRS’ 2012 initiatives, including the website redesign project, the participant satisfaction survey, the “Tell-a-Friend” campaign and employee webinars.

VI. AUDITOR UPDATE

Thomas Rey informed the Board that Clifton Gunderson merged with LarsonAllen to become CliftonLarsonAllen (“*Clifton*”). Mr. Rey noted that he does not expect this transaction to impact the level of service the Plan will receive from Clifton. Mr. Rey indicated that the Board’s principal contact at Clifton, Tom Heseltine, had resigned to pursue another opportunity, and that Mr. Rey would be assuming Mr. Heseltine’s responsibilities for the Plan.

VII. CALLAN PRESENTATION

Karen McKechnie of Callan reviewed the performance of investment managers for the Board. Ms. McKechnie focused on issues related to funds that were performing below their benchmarks over multiple measurement periods. A general discussion then followed Ms. McKechnie’s presentation, whereupon it was agreed that a further review of managers would be taken up at the next Board meeting.

VIII. PORTFOLIO MANAGER REVIEW – T. ROWE PRICE

Jerome Clark, Christopher Dyer, Wyatt Lee, and Mark Andrusis of T. Rowe Price joined the meeting. Mr. Clark provided an overview of the asset allocation model of the “retirement date funds” offered as Tier 1 investment options in the Plan. They discussed the legislative requirements enforced by the Department of Labor and the Securities and Exchange Commission with respect to “target date funds.” Mr. Clark then provided an overview of the target date investment philosophy, performance and glide-paths. A detailed discussion followed regarding the content of the presentation, including a discussion of the analytics related to the glide-paths, fees and other structuring issues related to the funds.

IX. ADJOURNMENT

Mr. Lilly stated that the next Board meeting is scheduled to take place on May 18, 2012. There being no further matters for discussion, Ms. Ritter moved to conclude the meeting. Mr. Mujica seconded the motion, and the Board unanimously approved the motion. The Board meeting was adjourned at approximately 2:40 p.m.

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Adrienne Hart
Secretary of the Meeting