NYS DEFERRED COMPENSATION BOARD
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April 3, 2012

Memorandum To: Files

Minutes of the April 3, 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 April 3, 2012, in Room 124 of the Empire State Plaza Concourse in Albany, NY. The meeting began at approximately 9:37 a.m. and adjourned at approximately 10:55 a.m. A separate memorandum to the files, also dated April 3, 2012, lists the materials prepared for and referred to during the meeting.

In attendance:

Board Members:	Edward M. Cupoli, Diana Jones Ritter, Robert F. Mujica
Staff Members ("***Staff***"):	Edward Lilly, David Fischer, Sharon DiMura, Peter Drao
Shearman & Sterling LLP ("***Counsel***")[1]:	Kenneth Laverriere, Veronica Wissel
Callan Associates Inc. ("***Callan***"):	Mark Kline, Karen McKechnie

Diana Jones Ritter acted as Chairperson and Sharon DiMura 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 February 24, 2012. Robert Mujica moved to approve the minutes. Ms. Ritter seconded the motion, and the Board unanimously approved the minutes.

II. PURPOSE OF MEETING

A. Discussion of International Manager Change

Edward Lilly began the meeting by advising the Board that there have been material changes in investment personnel at Tradewinds Global Advisors, Inc. ("***Tradewinds***"), a current manager of the Plan's International Fund Active Portfolio, subsequent to their selection to continue in that role effective June 11, 2012.

[1] Representatives from Shearman & Sterling attended via teleconference.

Mr. Lilly introduced Mark Kline from Callan Associates Inc. to discuss the changes and potential impact to the Plan. Mr. Kline indicated that Mr. David Iben, co-CIO of the portfolio managed by Tradewinds, announced on March 12, 2012 that he was leaving the firm. His scheduled departure date is in late June 2012. Three days later, Alberto Crespo (a co-portfolio manager) and two other research personnel on the portfolio also announced their departure from the firm. Callan has removed Tradewinds from its recommended list. However, since the portfolio is low turnover and current management should be intact through June 2012, Mr. Kline advised that the Plan should remain with Tradewinds through June 10, 2012, which is the end of the current contract period.

Kenneth Laverriere questioned the likelihood of a "run on the bank" where many current Tradewinds clients decide to pull their assets out of the firm.

Mr. Kline stated that Tradewinds currently has $23 billion in assets under management. To date, there has been between $6 billion to $7 billion in redemption requests. He does not believe that the Board would be the last to withdraw their assets and further explained that the Plan is in a better position if it is not in the first wave of investors leaving the firm. Mr. Laverriere was concerned that the Plan could be bearing the cost of redemptions. Mr. Kline assured him that our Plan account is not impacted by commission charges of other investors since it is a separate account.

Ms. Ritter expressed concern that Tradewinds could go out of business. Mr. Lilly observed that Tradewinds should survive as a firm, but the management style may change. The key portfolio managers who are leaving are all experts in investing in materials, and currently Tradewinds is overweight in materials. When these managers leave, the investment strategy of the portfolio will probably change, but the firm will continue to manage assets.

Mr. Kline offered different options the Board could explore if Tradewinds is eliminated from the proposed portfolio:

> Mr. Kline considered the option of not replacing Tradewinds and using three (3) active portfolio managers and the index manager. He felt that although it would provide easier administrative oversight by having less managers, the portfolio would not be as well diversified as desired.
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> There are three other value managers that responded to the recent RFP that could replace Tradewinds. Franklin Templeton was interviewed as a finalist, but based on the interview, Callan was not impressed by the portfolio manager and there is a significant overlap with the other value manager, MFS Investment Advisors, Inc. The second firm, Harris Associates, was not interviewed as a finalist because the portfolio they offered was too similar to the incumbent, Tradewinds. Also Harris Associates had a higher tracking error than Tradewinds. Dimensional Fund Advisors, Inc. ("***DFA***") was interviewed as a finalist. The proposed portfolio has a style and capitalization bias similar to Tradewinds. Callan feels that DFA is a good fit and has completed a thorough analysis for the Board to illustrate this conclusion.

Mr. Laverriere questioned why the Board should be confined to the current RFP responses instead of a search process.

Robert Mujica questioned why Callan did not suggest DFA in the initial selection process and further reiterated Mr. Laverriere's inquiry regarding a search process.

Mr. Kline responded by stating that incumbent managers are given some preference in the selection process and since performance was slightly better than DFA, Tradewinds was the better choice for the portfolio.

Ms. Ritter also inquired if firms, other than those who responded to the RFP, should be considered. Mr. Lilly explained that Callan developed a solicitation list of appropriate firms for the Plan's International Active Portfolio and the RFP was distributed to them. Many of those firms did not respond to the RFP, and it is not expected that the firms would respond to a second solicitation. Ms. Ritter asked if there were any firms we were disappointed because they did not respond to the RFP. Mr. Kline said that he was very satisfied with the qualifications of the firms who responded to the RFP. He also noted that many large portfolio managers require a minimum investment. In most cases, the minimum is $100 million whereas the Board's allocation for this mandate would be around $70 million. He stated that DFA is making an exception to allow for less than their current requirement of $100 million.

Mr. Kline provided additional details as to why Callan believes DFA is the best choice for the Plan. He referred to the PowerPoint presentation Callan prepared with an analysis of DFA and how the firm fits stylistically with the other proposed managers for the International Active Portfolio. Mr. Kline emphasized that although DFA had poorer performance than Tradewinds during the previous 5 year period, the impact on the portfolio would have been minimal. He further described investment style differences from Tradewinds which could be favorable to the overall portfolio. DFA uses quantitative analysis when making security selections for the portfolio. Tradewinds, as well as the other three managers in the proposed portfolio, primarily use fundamental analysis. Fundamental analysis is a more subjective type of analysis whereas quantitative analysis relies on various financial ratios. It is a more objective method of analysis. He also mentioned that DFA does not invest in emerging markets ("***EM***"), whereas the other proposed managers will have up to a 20% exposure to EM. This could help to avoid an overexposure to EM.

Mr. Kline ended the presentation by stating that DFA is a quality manager and is expected to have lower fees than Tradewinds and will add value to the overall portfolio.

Mr. Lilly explained that since the Board has signed a contract with Tradewinds, we will need to contact them to provide the required 30 days notice to cancel.

Ms. Ritter made a motion to approve the resolution to select Dimensional Fund Advisors, Inc. as an investment manager for the International Active Portfolio. Mr. Mujica seconded and the motion was approved.

III. TRANSITION MANAGEMENT

Mr. Kline informed the Board that the transfer from current managers to new managers requires a significant amount of movement of securities. Mr. Lilly noted that he spoke with The Bank of New York Mellon, the Plan's trustee/custodian, regarding the transition of investments from the current international fund managers to the proposed managers effective June 11, 2012. Mr. Lilly has a meeting planned with BlackRock, the Plan's transition manager, to develop a transition strategy.

IV. ADJOURNMENT

Mr. Lilly stated that the next Board meeting is scheduled for May 24, 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 10:55 a.m.

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Sharon DiMura
Secretary of the Meeting