NYS DEFERRED COMPENSATION BOARD
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DIANA JONES RITTER
EDWARD M. CUPOLI
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December 13, 2013

Memorandum To: Files

Minutes of the December 13, 2013
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 December 13, 2013, in Room 2E of the offices of Shearman & Sterling LLP in New York, New York. The meeting began at approximately 9:30 a.m. and adjourned at approximately 3:00 p.m. A separate memorandum to the files, also dated December 13, 2013, lists the materials prepared for and referred to during the meeting.

In attendance:

Board Members:	Edward M. Cupoli, Robert F. Mujica
Staff Members ("***Staff***"):	Edward Lilly, David Fischer, Sharon Lukacs, Peter Drao
Shearman & Sterling LLP ("***S&S***")	Kenneth Laverriere, Regina Park, Sara Nosaka
The Bank of New York Mellon ("***BNYM***"):	David Blakeley
GSAM Stable Value, LLC (formerly, Dwight Asset Management Company LLC) ("***GSAM***"):	John Axtell, Marie Mastro, John Bisset
Callan Associates Inc. ("***Callan***"):	Karen McKechnie
Nationwide Retirement Solutions ("***NRS***"):	Brenda Anderson, Keri Metres, Jill O'Callaghan, Patrick Ray, Barbara Sce
CliftonLarsonAllen LLP ("***CliftonLarsonAllen***"):	Thomas Rey
Perkins Investment Management ("***Perkins***"):	Jeff Kautz, Valerie Newman, Kevin Prolonger

Edward M. Cupoli acted as Chairperson and Sara Nosaka acted as Secretary of the meeting. Mr. Cupoli called the meeting to order at 9:30 a.m.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meeting held on August 23, 2013. Mr. Cupoli moved to approve the minutes. Robert Mujica seconded the motion, and the Board unanimously approved the minutes.

II. GENERAL PLAN ISSUES

A. Performance Criteria Recommendations

Edward Lilly began the discussion by explaining that CliftonLarsonAllen had completed its performance audit for NRS's services for the 2012-2013 fiscal year, and the results were summarized in the memorandum provided by Staff to the Board. David Fischer then gave a summary of the eleven performance criteria exceptions that were identified by CliftonLarsonAllen in its performance audit. After discussion, the Board agreed to adopt Staff's recommendation on the penalties, subject to the modification that the penalty related to the availability of the website would be increased from $25,000 to $50,000. The Board and NRS then discussed the various reasons for the website downtime, and Keri Metres reassured the Board that participants are notified in advance of any website downtime due to scheduled maintenance. Mr. Fischer then summarized the final recommendation and indicated that by adopting the amended recommendation, the Board would be imposing a total of $304,500 in penalties and that Staff would be sending an updated letter to NRS summarizing these penalties. A motion was made to approve the total penalty amount of $304,500, and the motion was unanimously approved.

B. Proposed 2014-2015 Budget

Mr. Lilly gave an overview of the Plan's expenses and revenues from participant plan-level fees for the 2013-2014 fiscal year. Mr. Lilly indicated that the Plan's estimated expenses for the 2014-2015 fiscal year are estimated at $10,094,292, representing a 3.0% increase from the adopted 2013-2014 budget. Mr. Lilly explained that most of the increase in expenses is attributable to the higher administrative fees paid to NRS due to an increase in the number of Plan participants. Mr. Lilly indicated that the remainder of the increase in expenses would be due primarily to the increase in expenses from Request for Proposals (***"RFP"***) for the contracts that are scheduled to expire.

Mr. Lilly then gave a brief overview of the Plan's estimated revenues for the upcoming fiscal year. He reported that the income estimate from the Plan's per-participant fee is $4,064,000 due to an increase in the number of Plan participants. He stated that Staff expects $500,000 in excess revenue due to the amount currently in the deferred expense account from the 2013-2014 fiscal year that will be used to offset expenses for the 2014-2015 fiscal year. Mr. Lilly noted that a final report further describing the Plan budget would be presented at the next Board meeting. Mr. Cupoli asked Staff to prepare for the next meeting a chart summarizing the anticipated revenues and expenses for both the 2014-2015 and 2013-2014 fiscal years.

C. 2013 Highlights and 2014 Initiatives

Mr. Lilly then summarized various milestones and completed initiatives during 2013. Mr. Lilly highlighted the Tell-A-Friend initiative as a key factor in the increase in additional Plan participants this year. He noted that the Plan extended the BlackRock short duration and the Goldman Sachs intermediate duration contracts for one year through September 30, 2014. Mr. Lilly also noted that the Plan eliminated the Fidelity Magellan Fund and the Janus Fund from its investment structure on May 16, 2013. The Board also authorized the conversion of the Vanguard Small Cap and Mid Cap Index Funds from the Institutional class share to the Institutional Plus share class, and the conversion reduced the expense ratio from 8 to 6 basis points.

Mr. Lilly then reminded the Board that the Plan's contracts within the Stable Income Fund, BlackRock short duration and Goldman Sachs intermediate duration, would be expiring on September 30, 2014. Callan will issue an RFP on behalf of the Board for these services in January 2014, and GSAM will review the RFP responses and make a selection recommendation to the Board. Mr. Lilly noted that a finalist recommendation will be made to the Board in early April 2014, and a selection recommendation will be made to the Board at its upcoming May meeting.

Mr. Lilly also stated that the contract with CliftonLarsonAllen will expire on September 30, 2014. Staff will issue an RFP for this service in January 2014, review RFP responses in March, and make a final recommendation to the Board in April. A selection recommendation for the auditor contract will be made to the Board at its May meeting.

Mr. Lilly also noted that the contract with BNYM will expire on March 31, 2015. Callan will issue an RFP for the trustee service in August 2014. RFP responses will be reviewed and a finalist recommendation will be made to the Board in October. Interviews will then be held in late October and a selection recommendation will be made to the Board at its November meeting.

Staff also recommended that the Board continue to invite at least one investment manager to provide a portfolio review at each Board meeting.

Mr. Lilly then announced that he has informed the Board that he would be retiring as Executive Director in May 2014.

D. Distribution Changes

Mr. Lilly presented a summary of the proposal to allow Plan participants to change the timing or frequency of their distribution by calling the HELPLINE, thus eliminating the need for participants to make these changes by submitting a distribution form. Patrick Ray gave a brief overview of the protocols that would be implemented once the proposal is adopted. He stated that a participant must already have an established distribution method in order for any changes to be made over the phone. Jill O'Callaghan also noted that more significant changes, such as liquidation or changing distributions from monthly payments to a lump sum payment, would still have to be requested in writing using the distribution form. In response to a question, Ms. O'Callaghan also confirmed that a participant could not request over the HELPLINE a change to the address for receiving distributions or the account to which electronic payments would be deposited. She reiterated that such changes would need to be in writing.

After further discussion, Staff recommended that the Board accept the proposed changes to the manner by which a participant might request timing or frequency of payment changes. In response to a question, Ms. O'Callaghan stated that she would confirm that a written confirmation of the changes requested through the HELPLINE would be provided to participants. After further discussion, the Board unanimously approved the proposal, pending acknowledgement that NRS would be providing written confirmation of verbal changes to the participant.

E. Deferral Eligibility

Mr. Lilly next discussed an apparent error by the Office of the State Comptroller (the ***"OSC"***) with respect to the tax accounting and reporting of disability payments made pursuant to Section 209-C of the State Finance Law. Mr. Lilly indicated that the OSC had been reporting these payments as taxable wages and withholding Plan deferrals from these payments and remitting these deferrals to the Plan for a number of years. Mr. Lilly explained that the apparent error by the OSC had resulted in overpayments of income tax by affected participants and impermissible deferrals into the Plan by these participants. Mr. Lilly noted that tax exempt disability payments are not wages eligible for deferral into the Plan. Mr. Lilly further noted that, beginning January 2014, the disability payments will be reported as tax-exempt and not eligible for deferral. He explained that the OSC is in the process of considering its alternatives for addressing the incorrect tax reporting and withholding for prior years and will likely be preparing revised W-2s for affected participants retroactive to tax year 2008. Mr. Lilly then discussed Staff's recommendation that the Board determine that these deferrals based on disability payments be treated as excess deferrals that would be refunded to the affected participants. Discussion ensued regarding the alternative approaches for returning the excess deferrals to participants and the options for dealing with the earnings and losses on those deferrals. Mr. Lilly stated that Staff is currently working with the OSC to identify an integrated approach to correction and would report back to the Board once a final plan of correction is in place.

III. BNYM Presentation

David Blakeley gave the Board a brief overview of BNYM and a description of the services that it provides to the Plan. In response to a question regarding the risk of errors, Mr. Blakeley summarized BNYM's daily valuation process and data reconciliation procedures that are implemented to ensure accuracy. After further discussion, Mr. Blakeley's presentation concluded.

IV. STABLE INCOME FUND

A. Updates to Cash Portfolio Investment Guidelines

John Axtell of GSAM introduced himself to the Board as the newest member to GSAM's team. Marie Mastro then gave a summary of the proposed changes to the Cash Portfolio Investment Guidelines. She explained that the proposed changes seek to expand the universe of securities in which the cash manager may invest in order to reduce risk and increase yield. She noted that at the last Board meeting, GSAM had suggested extension of the duration of the cash portfolio from 90 days to 180 days. Ms. Mastro stated that GSAM no longer recommends that extension as it would potentially increase interest rate risk. She explained that the revised approach would be to maintain an overall 90-day duration for the cash portfolio while permitting the cash manager to acquire securities with longer maturity limits generally not in excess of 25 months. Ms. Mastro also summarized GSAM's recommendation that the

Stable Income Fund Investment Policies and Guidelines incorporate the restrictions in the Board's Iran Investment Policy. Ms. Mastro concluded by noting that there had been no other proposed changes to the Investment Guidelines since the most recent Board meeting. Following further discussion, Mr. Mujica made a motion to accept the proposed changes to the Cash Portfolio Investment Guidelines. Mr. Cupoli seconded the motion, and the motion was unanimously approved.

Ms. Mastro then gave a brief overview of the schedule of upcoming expiring contracts. She stated that, due to GSAM's status as the structure manager for the Stable Income Fund, Goldman Sachs and its affiliates would not be eligible to bid on the expiring investment management contract. Ms. Mastro noted that an RFP would be sent out on behalf of the Board in January 2014. Ms. Mastro indicated that GSAM was recommending that the RFP solicit bids for both separate account contracts with investment managers that would be independently wrapped by wrap providers identified by GSAM, and insurance company separate accounts. After further discussion, the Board agreed with GSAM's recommendation on the scope and timing of the RFP process.

B. Reallocation of Cash to GSAM

Ms. Mastro described the process for the reallocation of the BlackRock cash portfolio to maintain BlackRock's proportion of the Stable Income Fund at approximately 5% of the total portfolio. Ms. Mastro explained that, with the exception of an allocation of the Goldman Intermediate Core Portfolio, the allocation had been made to all the managers in the Stable Income Fund in October 2013. Ms. Mastro explained that, due to GSAM's role in managing the Goldman Intermediate Core Portfolio, the Board was required to approve the pro rata allocation to that Portfolio. Ms. Mastro indicated that the amount to be allocated to the portfolio was approximately $19.6 million. After discussion and with the concurrence of Staff and counsel, Mr. Mujica made a motion to accept this recommendation. Mr. Cupoli seconded the motion which was unanimously approved.

C. Overview of Stable Income Fund

Mr. Bisset gave an overview and a performance review of the Stable Income Fund in the last quarter and answered questions from the Board and others about the performance of the fund.

V. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Patrick Ray provided a summary of the administrative highlights of the Plan, including the milestones that the Plan had reached the 200,000 participant threshold in November 2013 and $16 billion in total Plan assets. Mr. Ray then discussed the mobile response enhancement to the Plan's website and the success of the Tell-A-Friend initiative. He then provided a summary of conversions from Model Plan sponsors that have taken place in 2013. Mr. Ray introduced Barbara Sce, the Plan account executive in Suffolk Country, who discussed the success she has achieved on Long Island. Mr. Ray then gave a brief overview of account executive activity for the quarter. Ms. O'Callaghan then explained NRS's effort to encourage participants to update beneficiary information. Mr. Ray then gave an overview of the quarterly newsletter, noting that comments are due to Staff by December 20th.

VI. INVESTMENT CONSULTANT PRESENTATION

Karen McKechnie from Callan provided an overview of the Plan's investment performance over the last quarter, focusing on those managers whose performance was below the applicable benchmark. She concluded her discussion by focusing on organizational changes that had taken place in the last quarter at the managers of the funds offered through the Plan.

In advance of the presentation from Perkins representatives, Ms. McKechnie gave a brief overview of the performance of Perkins and its investment strategy.

VII. PORTFOLIO REVIEW

Jeff Kautz, Valerie Newman and Kevin Prolonger from Perkins then joined the meeting. They presented an overview of Perkins' investment strategies and its recent performance. In response to a question about Perkins' relationship with Janus, Mr. Kautz summarized the fund's history with Janus and explained that while Janus does have an ownership stake in Perkins, Perkins does not share any of its research with Janus and has maintained a level of autonomy from an investment standpoint. In response to a question, Mr. Kautz discussed the process that Perkins' uses to select securities within the portfolio and recent changes in the composition of the portfolio. A general discussion then ensued regarding the performance of Perkins. Mr. Kautz stated that the team is pleased with its absolute returns, but stated that a full market cycle will need to be reached in order to fully evaluate Perkins' performance. He stated that while the portfolio construction has changed since the financial downturn, Perkins' core investment philosophy of downside protection remains the same. Ms. McKechnie questioned Perkins' allocation to cash, and Mr. Kautz stated that the new range for allocation to cash will be between 5% and 10%.

There being no further issues to discuss, the meeting was adjourned at approximately 3:00 p.m.

Sara Nosaka
Secretary of the Meeting