

Responses to Questions Submitted in Relation to
REQUEST FOR PROPOSALS FROM FINANCIAL ORGANIZATIONS FOR THE PROVISION OF
A SEPARATELY MANAGED FIXED INCOME CASH PORTFOLIO FOR THE DEFERRED
COMPENSATION PLAN FOR EMPLOYEES OF THE STATE OF NEW YORK AND OTHER
PARTICIPATING PUBLIC JURISDICTIONS ("PLAN")

Some questions were submitted by more than one financial organization or were worded in slightly different form. The following respond to all submitted questions, however, the wording may not be exactly as provided by the financial institution.

1. Would the Plan be able to provide a street address where the hard-copy proposals can be sent and tracked via FedEx or UPS? The address currently provided in the RFP is a P.O. Box.

An electronic copy of all proposals must be submitted to the email addresses listed in the RFP to receive consideration. The copies to be sent to the office of the New York State Deferred Compensation Board may be sent to:

Empire State Plaza Concourse – North
Room 124
Albany, NY 12223

2. Is this mandate for the replacement of or the addition to the existing manager?

The RFP was issued because the contract with the current cash manager will expire and is in anticipation of that expiration. The existing manager is not barred from responding to the RFP.

3. Can you provide a word version of the RFP?

A word version of the RFP has been sent to all firms that received the original RFP. Other potential interested parties can contact Mark Kline at Callan Associates for a word version of the RFP.

4. While we realize the RFP is specifically looking for separate account vehicles with specific guidelines, would NYS consider a commingled vehicle for this mandate with slightly broader guidelines?

No.

5. Will NYSDC consider another vehicle instead of a separate account?

No.

6. Is Section 7 of the RFP for information or are we meant to respond? The RFP asks for a fully completed questionnaire providing the information requested in Sections VII, VIII and IX. What information should be provided to the Plan in Section VII?

Section 7 is basic information on the Plan and the Stable Income fund. There is no question to answer in this section.

7. In Question 10 under Section IX: Product Detail Information, does the question refer specifically to how late the custodian bank can accept a wire, or how late the Proposer can accept instructions to invest/divest assets?

Please answer from the Proposer's point of view.

8. Would the Plan please provide the minimum, average, and maximum cash position held by BlackRock, along with monthly cash flows for the past three years?

Please see the separate Daily Cash Flows chart.

Cash Balance	Cash Balance	Percent of Fund
Minimum	\$ 337,704,094	6.39%
Average	\$ 474,586,673	8.72%
Maximum	\$ 683,526,538	12.67%

9. Can you provide the daily net participant flow history of the stable value option for at least 3 years, but as long as possible?

Please see the separate Daily Cash Flows chart.

10. While the Cash Portfolio has a 5% target with a 0-10% band and the Board reserves the right to make pro-rata payments, is there a specific "trigger" cash percentage within the Cash Portfolio at which the Board would source or draw funds to bring it back to the 5% target?

While there is no firm trigger, typically cash would be raised when cash portfolio reaches approximately 1-2%. This has not been an issue as the cash flow profile of the Fund has been positive.

11. What have been the historical cash flows for this Cash Portfolio?

Please see the separate Daily Cash Flows chart.

12. Do you know the largest cash position previously held by the Fund?

Cash Balance	Cash Balance	Percent of Fund
Maximum	\$ 683,526,538	12.67%

13. Does the Plan intend to hire multiple managers for the \$650 million Cash Portfolio?

The Plan intends to hire a single cash manger.

14. Is the Plan prepared to consider a manager supplied investment management agreement?

A manager may submit an investment management agreement.

15. Does the Board expect the investment management fees to be imbedded within the expense ratio (or NAV?) of the Cash Portfolio? Or, said another way, will the Board pay the fees outside of the fund?"

Typically, the investment management fees are paid upon submission of an invoice to the Plan at the end of each quarter. The management fee is then paid from the assets in the cash account.

16. Does the Plan have a preference for a vehicle that is structured on a Net of fee or a Gross of fee basis? Our Net of fee product trades via the NSCC while our Gross of fee product requires a more manual trading process. Our Gross of fee product has more flexibility in terms of pricing (depending upon the size of the mandate), while our Net of fee product has a flat 10 bps fee with a Minimum Investment of \$250 million.

This is a separate account product. Our preference would be a Net of fee product. Please refer to the response to Q. 15.

17. Please define further "daily unitization method." Is this a daily NAV calculation?

The Cash Manager will provide daily valuation information to the record keeper and other involved parties.

18. We note that the portfolio's weighted average maturity must be 90 days or less. Do you have a maximum *weighted average life maturity* (i.e., the weighted average maturity calculated using the legal final maturity date of any variable or floating rate securities)?

The intent of the duration provision of the guideline is to limit the Cash Portfolio's weighted average life to 90 days or less with the maximum maturity of any one security limited to one year.

19. What is the maximum acceptable deviation from the \$1.00 NAV? (i.e., may the NAV deviate within a range of \$0.995 and \$1.005, or some similar range?)

While the Fund seeks a stable portfolio valuation some variability is possible. The Cash Manager will provide daily valuation information to the record keeper and other involved parties.

20. We note that the portfolio's maximum maturity is stated as one year. Do you interpret "one year" to be 365 days or the SEC 2a-7 definition of 397 days?

The maximum maturity at the security level is 365 days.

21. The RFP states, "The Cash Portfolio must seek to maintain a constant net asset value of \$1.00 per share" (page 6). Is it your expectation that the cash manager (the investment adviser for the cash portfolio) will perform the daily NAV calculation?

The Cash Manager will provide daily valuation information to the record keeper and other involved parties.

22. Will you consider proposals in which the NAV calculation is performed by a subcontractor retained by the cash manager?

The Cash Manager will provide daily valuation information to the record keeper and other involved parties. The Cash Manager would be responsible for any services provided by a subcontractor.

23. Are there additional criteria on how you will select a manager? Is yield the primary driver? Or, are you considering other factors such as the demonstration of NAV stability, the manager's consistency of process, or how well the manager navigated the market disruptions in 2008?

The cash manager selection will be based on a number of criteria as outlined in Section V of the RFP.

24. With respect to the investment policy, Section III.A. (5) Credit Quality Guidelines, ratings are cited with both short-term and long term classifications. Given that the U.S. Treasury and agency securities no longer carry AAA ratings by S&P, have you modified the minimum long-term ratings to encompass S&P's AA+ ratings for U.S. debt issuance as being acceptable?

At this time the minimum long term ratings have not been modified.

25. With respect to the investment policy, Section III.A. (5) Credit Quality Guidelines, ratings are cited with both short-term and long term classifications. Do you require all corporate obligations that are not issued as commercial paper to be rated with long-term ratings of AAA/Aaa?

As the guidelines are written today, that is correct.

26. As the guidelines are written today that is correct. In Exhibit F, *Investment Policies and Guidelines, Section III. A. (3) Prohibited Investments, item d.*, there is a prohibition related to "Transactions that would be prohibited by ERISA, if ERISA applied to the Plan, and any other applicable law." Will this portfolio be subject to new Rules from the Office of the Comptroller of the Currency 12 CFR Part 9 related to short-term investments, which become effective on July 1, 2013?

The Cash Portfolio will not be subject to the new OCC STIF rules.

27. If the Cash Portfolio will be subject to these Final Rules, will stress testing exercises be required, as described in Section 9.18(b)(4)(iii)(H) of the Final Rule?

See response to Q. 26 above.

28. What is your expectation as to the party that will perform stress testing exercises?

See response to Q. 26 above.

29. Is your intent to manage the fund in strict accordance to the current 2a7 investment guidelines? If so, this fund will need to be managed to the following requirements: 60 day DWAM; 10% daily and 30% weekly liquidity, instead of the 90 day DWAM indicated within your proposal.

This is not a 2a-7 fund.

30. Are redemptions, purchases and reallocations transacted on a specific day of the month? Do you have a specific schedule that will assist in the management of liquidity levels?

No. Please refer to the cash flow history provided in Q. 9.

31. Within the cash portfolio guidelines, the following securities are not included as approved investments: munis, variable rate instruments and time deposits. Is this accurate; did you intend to exclude these securities from the cash portfolio?

Yes it is accurate that these securities are currently excluded from the guidelines.

32. Please confirm that this is strictly an investment management opportunity and that you are not seeking additional administrative services?

The Plan is not seeking administrative services.

33. What are your reporting requirements?

Daily portfolio value, daily current yield/income, daily activity, monthly portfolio summary, monthly security position details including sector exposure and ratings, monthly and historical performance, monthly transactions and balances, and any other periodic reporting requests.