



# SPECIAL EDITION NEWSLETTER

Introducing the Plan's streamlined, lower-cost investment options menu



We encourage you to read this newsletter thoroughly so you can make informed decisions about your strategy for investing through the Plan.

## This newsletter explains

- Which investment options are changing
- What you need to do—if anything
- Changes that require transition accounts

## Get more details online

Click on the “Upcoming Changes to Investment Options” banner on the home page of the Plan’s Web site to find:

- Newsletter articles with more information about the Plan’s:
  - » Overall investment structure
  - » Types of investment options available
- More information about transition accounts
- A new Guide to Investment Options
- Fact Sheets for all Investment Options
- Cost comparison due to changes

## We’re making it easier to invest for retirement through the Plan

Effective July 10, 2017, the Plan will begin using a new menu of investment options. This menu replaces several mutual funds with lower-cost Collective Investment Trusts (CITs). While CITs are similar to mutual funds, these types of investment options have important differences explained in the April 2017 Quarterly newsletter.



The Plan recognizes that your comfort with investing may not be the same as other participants. Therefore, we have created three approaches that are generally aligned with how willing you are to manage how your retirement assets are invested through the Plan.

There are three ways to invest:



### DO IT FOR ME

An approach that uses target-date CITs based on when you plan to retire or begin taking withdrawals



### DO IT YOURSELF

An approach to personally design and monitor your asset allocation and investment options



### SPECIALTY OPTIONS

Options that represent special interests such as environmental, social and governance factors, or offer unique investment objectives



You will see a laptop in this article when more information is available on the Plan Web site.



## DO IT FOR ME INVESTMENT OPTIONS

**T. Rowe Price Retirement Date Funds** are transferring to CIT versions of the same funds. The investment strategies are the same as the mutual funds with net costs to participants reduced to 0.38% of assets invested. Added is a new Retirement Date 2060 Trust.

Category	Option Name	Investment Option Type	Gross Expense Ratio	Net Expense Ratio*
Target-date options	T. Rowe Price Retirement Date Trusts (All Years)	CIT	0.38%	0.38%

The principal value of the TRP Retirement Date Trusts is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the Trust. If an investor plans to retire significantly earlier or later than age 65, the Trusts may not be an appropriate investment even if the investor is retiring on or near the target date. The Trusts' allocations among a broad range of underlying stock and bond funds will change over time. The Trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The Trusts are not designed for a lump sum redemption at the target date and do not guarantee a particular level of income. They maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons.



## DO IT YOURSELF INVESTMENT OPTIONS

**Current funds that will stay in the Plan:**

Category	Option Name	Investment Option Type	Gross Expense Ratio	Net Expense Ratio*
Stable Income	Stable Income Fund	Custom Fund	0.35%	0.35%
Balanced Fund	Vanguard Wellington—Admiral Shares	Mutual Fund	0.16%	0.16%
Large-Cap Growth	Vanguard PRIMECAP—Admiral Shares	Mutual Fund	0.33%	0.33%
International Fund	International Equity Fund—Active	Custom Fund	0.60%	0.60%
International Fund	International Equity Fund—Passive	Custom Fund	0.20%	0.20%
International Fund	Morgan Stanley Emerging Markets Portfolio—Inst.	Mutual Fund	0.95%	0.95%
Environment Social Governance Fund (ESG)	PAX World Balanced Fund—Institutional Shares (See Specialty Investment Options)	Mutual Fund	0.68%	0.58%
Opportunistic Equity Fund	Fidelity OTC Fund (See Specialty Investment Options)	Mutual Fund	0.91%	0.66%

The Stable Income Fund seeks to preserve principal and provide a competitive rate of return. However, as with all investments, the Fund involves certain risks including inflation risk and credit risk.

**New options available to participants on and after July 10, 2017:** No existing funds are being automatically transferred to these new investment options.

Category	Option Name	Investment Option Type	Gross Expense Ratio	Net Expense Ratio*
Fixed Income—Actively Managed	Voya Core Plus Trust Fund	CIT	0.23%	0.23%
Large-Cap Value Stock—Actively Managed	Boston Partners Large-Cap Value Equity Fund	CIT	0.67%	0.67%
Mid-Cap Core Stock—Actively Managed	Vanguard Strategic Equity—Investor	Mutual Fund	0.18%	0.18%

\*Net Expense Ratio equals the Gross Expense Ratio minus reimbursements from the fund manager to the Plan to cover recordkeeping and other services.

### Existing options being terminated and transferred directly to new investment options:

Plan balances in these terminated funds will be automatically transferred to the new investment options with similar investment objectives after July 7, 2017. Your deferral elections will be automatically directed to the new options starting July 10, 2017 (requiring no action from you.)

Category	All assets and deferrals to these options...	...will be transferred to these options	Investment Option Type	Gross Expense Ratio	Net Expense Ratio*
Fixed Income—Actively Managed	Federated Total Return Government Bond	NYSDCB US Debt Index Unitized Account	CIT	0.0198%	0.0198%
Large-Cap Equity—Blend	Davis NY Venture Fund	NYSDCB Equity Index Unitized Account	CIT	0.0084%	0.0084%
	Hartford Capital Appreciation HLS				
	Vanguard Institutional Index				
Large-Cap Growth	Principal Large-Cap Growth Fund—Institutional Shares	T. Rowe Price Blue Chip Growth Trust	CIT	0.40%	0.40%
Large-Cap Growth	Vanguard Capital Opportunities Fund	Vanguard PRIMECAP Fund—Admiral	Mutual Fund	0.33%	0.33%
Large-Cap Value	T. Rowe Price Equity Income Fund*	T. Rowe Price Equity Income Trust	CIT	0.33%	0.33%

\*Transferring to CIT version of the mutual fund with the same investment objectives. See the First Quarter 2017 Quarterly Newsletter for more information on CITs.

### Funds being terminated and transferring through a transition account:



A transition account is required when an investment option being removed delivers securities rather than the cash amount of Plan assets invested in it. This process helps protect fund investors from incurring costs associated with large asset inflows and outflows while maintaining market exposure.

While a fund is in a transition account, exchanges from the account in to the designated replacement fund will not be allowed. However, benefit payment distributions will not be interrupted. If you wish to avoid this temporary and limited restriction, you should exchange out of the fund(s) that are scheduled for replacement prior to July 7, 2017. Exchanges in to the other Plan investments are not restricted.

All new contributions after July 7, 2017 will be directed to the new investment option unless you have made an exchange before that date.

Category	Assets in and deferrals to these options...	...will be transferred to these options	Investment Option Type	Gross Expense Ratio	Net Expense Ratio*
Fixed Income—Index	Vanguard Total Bond Mkt. Index Fund	NYSDCB US Debt Index Unitized Account	CIT	0.0198%	0.0198%
Small/Mid-Cap (SMID)	Vanguard Mid Cap Index Fund—Institutional Shares	NYSDCB Russell 2500 Index Unitized Account	CIT	0.0225%	0.0225%
Index	Vanguard Small Cap Index—Institutional Shares				
Small-Cap Blend	Wells Fargo Small Cap Value Fund—Institutional Shares	Delaware Small-Cap Value Fund—Class I	Mutual Fund	0.96%	0.71%
Small-Cap Value	Federated Clover Small Value Fund—Institutional Shares				
Small-Cap Growth	Columbia Acorn USA Fund—Class Z	T. Rowe Price QM US Small Cap Growth Equity Fund—Class I	Mutual Fund	0.66%	0.66%

Small/mid-cap (SMID) funds offer the potential for higher long-term returns than large-cap stock funds, but involve increased potential risk and volatility. Small-cap funds involve increased potential risk and volatility.

Fund to be Removed	Anticipated Transition Period
Vanguard Total Bond Mkt. Index Fund	3-4 weeks
Vanguard Mid Cap Index Fund—Institutional Shares	2-3 weeks
Vanguard Small Cap Index—Institutional Shares	2-3 weeks
Wells Fargo Small Cap Value Fund—Institutional Shares	6-8 weeks
Columbia Acorn USA Fund—Class Z	3 weeks

\*Net Expense Ratio equals the Gross Expense Ratio minus reimbursements from the fund manager to the Plan to cover recordkeeping and other services.



## SPECIALTY INVESTMENT OPTIONS

This category highlights investment options that offer unique investment objectives. Because these funds are currently offered through the Plan, you can find more information in the table titled “Current funds that will stay in the Plan”.

- PAX World—Environmental, Social and Governance
- Fidelity OTC—Aggressive Opportunistic Equity
- The Schwab PCRA (Self Directed Investment Account window)

Plan participants who are advanced investors and wish to invest in mutual funds or exchange-traded funds (ETFs) not currently on the Plan’s core menu have the option of creating a sub account by opening a Schwab Personal Choice Retirement Account® (PCRA). The Schwab PCRA may also be used, in some cases, to repurchase investment options you wish to continue to hold that were eliminated from the Plan’s core lineup. Participants should review SDIA restrictions and additional costs before moving any money to the SDIA.

Investments placed through the Schwab PCRA are not monitored by the NYSDCP Board or staff. Schwab Personal Choice Retirement Account® (PCRA) is offered through Charles Schwab & Co., Inc., a registered broker-dealer not affiliated with NYSDCP or the Plan Administrator.

## What do I need to do?

**You only need to do something if one or more of your funds is being transferred and you would prefer a different result.**

However, the changes to the Plan’s Investment menu offer you an opportunity to schedule an appointment with your local Account Executive to review your allocations in view of your retirement and investment goals.

As always, you may make changes via the Plan’s Web site at [nysdcp.com](http://nysdcp.com) or by calling the HELPLINE at 1-800-422-8463.

Investing involves market risk, including possible loss of principal. No investment strategy—including asset allocation, diversification and dollar-cost averaging—can guarantee a profit or avoid loss. Actual results will vary depending on your investment and market experience.

**Before you decide to direct investments under the Plan, carefully consider the fund’s investment objectives, investment methods, risks, charges and expenses. This and other information is contained in the fund prospectus, which you should read carefully before investing. To get any prospectus, ask your Account Executive, call the HELPLINE at 1-800-422-8463 or access the Web site ([www.nysdcp.com](http://www.nysdcp.com)).**

There is no prospectus for CITs and Custom Funds because these options are not mutual funds. You may obtain a fact sheet on each of these options from the HELPLINE or our Web site.

International investing involves additional risks, including currency fluctuations, political instability and foreign regulations, all of which are magnified in emerging markets.

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