New York State
Deferred Compensation Plan
A Plan for Your Future

April 2009

QUARTERLY

HELPLINE: 1-800-422-8463 • TTY/TDD: 1-800-514-2447 • WEB: nysdcp.com

Dear Plan Participants,

It's nearly impossible to go through a day without thinking about the economy and how it affects our lives and the lives of relatives, friends, and neighbors. These truly are trying times. However, in the midst of all that is swirling around us, it is important to make the best of the opportunities available to us.

Thinking about the future is difficult but that is where you need to focus your attention. While the economy may be tough now, lack of planning and commitment to a retirement savings plan may make the economics of your retirement years difficult as well. Many employees will face a gap between their employment salary and their retirement and Social Security benefits. That's where the Plan comes in — saving now can provide a greater reward in the future.

Asset allocation is an important tool in retirement investment planning. Most retirement planning professionals advise that individual asset allocation be reviewed periodically and especially in tough economic times. Now may be a good time to review your asset allocation, and the Plan offers you two methods to achieve an appropriate asset allocation strategy. The T. Rowe Price Retirement Date Funds are the "set it and forget it" approach. These funds are professionally-managed investments that adjust the asset allocation to a more conservative strategy as the retirement date approaches. If you want to do it yourself, you can select an appropriate portfolio from the Plan's core investment line-up.

Even in these times, there are smart actions to take. Continue saving to protect your future. Properly allocate your assets. And don't forget about the Plan's Account Executives and HELPLINE Representatives who can provide assistance about many aspects of the Plan.

The New York State Deferred Compensation Board

Diana Jones Ritter | Michael A. Avella | Edward M. Cupoli

Review of Recent Plan Changes

In our last issue of the *Quarterly* and the Supplemental Newsletter in February, we announced many details about the significant changes to the Plan in April 2009. Here is a brief recap of the changes, as well as where to find more information.

Introduction of Tiered Investment Option Choices

Tier I – Do It For Me Asset Allocation

T. Rowe Price Retirement Date Funds

- Professionally-managed and periodically re-allocated according to target retirement dates from 2010 to 2055
- Provides an easier way to allocate your assets
- Replaces the Fidelity Freedom Funds series

Tier II – Do It Yourself Asset Allocation

The Plan offers 18 investment options through which you can allocate your assets based on your own risk tolerance. The Plan recently added six new actively managed investment options and two index funds. Please review all of the investment options, especially the new offerings.

New Core Investment Options

- Eaton Vance Large Cap Value
- Federated Total Return Government
- Hartford Capital Appreciation
- Perkins Mid Cap Value (Janus)
- Principal Large Cap Growth
- MSIFT US Small Cap Value

Additional index funds

Index funds are low-cost funds that replicate the securities that comprise the appropriate index (i.e. S&P 500). The Plan now has five index funds that cover major US domestic equity, international and bond indexes.

New Index Fund Options

- Vanguard Mid Cap Index
- Vanguard Small Cap Index

Continued on next page

Continued from previous page

Closed to New Investments

The following funds are closed to additional investments.

- Janus Fund
- Fidelity Magellan (previously closed)

Eliminated Investment Options

The following funds were eliminated from the Plan.

- Alger Mid Cap Growth
- Mainstay ICAP Equity
- MTB Small Cap Growth
- Vanguard GNMA Fund
- Vanguard Institutional Money Market
- Fidelity Freedom Funds

Share Class Conversion for Reduced Expenses

- Wells Fargo Small Cap Value — converted to the institutional share class

Changes to the Plan's Administrative Features

Payment of Mutual Fund Reimbursements

- Payments from mutual fund companies that provide administrative reimbursements will be paid to Plan participants invested in the mutual fund at the time of the reimbursement
- Revenues have been previously used to pay general administrative expenses

New Plan Fee Structure

- The Plan does not receive any financial support from the State or any participating employers
- Plan participants pay most of the Plan's administrative expenses
- The Plan initiated a new and uniform administrative fee structure

How to learn more

You can access the last *Quarterly* and additional information online at nysdcp.com by clicking on the Quick Link called "News and Newsletters." You may also refer to the Supplemental Newsletter mailed to you in February for more detailed information. Feel free to speak to the HELPLINE or with your local Account Executive for any specific questions you may have.

Saver's Credit — Let Uncle Sam Reward You for Participating in the Plan

The Saver's Tax Credit is intended to reward low-and-moderate income taxpayers who may need more help to save for retirement. If you qualify, it provides you with a federal income tax credit on your federal income tax return simply for investing for retirement through the Plan.

A tax credit is valuable because it allows you to reduce your tax liability dollar-for-dollar (whereas a deduction reduces the income subject to federal tax). The Saver's Tax Credit is a non-refundable income tax credit that could reduce your federal income tax liability to $0.

Eligibility depends on your filing status and modified adjusted gross income. In effect, the federal government gives you up to half of what you contribute each year, up to a maximum total credit of $1,000, if you qualify.

Do you qualify for the Saver's Tax Credit? Use this chart to help you find out, or talk to your local Account Executive or HELPLINE Representative. Remember, we can't give you tax or legal advice. You should check with your tax professional or legal advisor for answers to specific questions.

FILING STATUS/ADJUSTED GROSS INCOME			
Amount of Credit	**Joint**	**Head of Household**	**Single/Others**
50% of first $2,000 deferred	$0 to $33,000	$0 to $24,750	$0 to $16,500
20% of first $2,000 deferred	$33,001 to $36,000	$24,751 to $27,000	$16,501 to $18,000
10% of first $2,000 deferred	$36,001 to $55,500	$27,001 to $41,625	$18,001 to $27,750

Source: "IRS Announces Pension Plan Limitations for 2009," IR-2008-118, Oct. 16, 2008; "2009 Limitations Adjusted As Provided in Section 415(d)," Oct. 28,2008.

You may need to adjust your deferral percentage to maximize your retirement savings under the new increased 2009 contribution limits. You can make changes to your deferral percentage anytime using the Plan Web site or by the calling the HELPLINE. The change should go into effect within one or two payroll periods.

Using an Asset Allocation Strategy Is Now Even Easier

When you spread your money among the Plan's investment options with different types of investment strategies, you potentially lessen your portfolio's risk. That's called asset allocation — it's just another way of saying that the money in your Plan account should be invested in different types of investments since markets can be unpredictable.

Think of asset allocation like driving a car with four-wheel drive. If one wheel slips, you have three other opportunities for traction. Remember, even though asset allocation can't guarantee returns or insulate you from potential losses in a declining market, it can help you manage risk. And maybe keep you on the road to your vision of retirement.

The Plan now offers an easier way to manage your portfolio's asset allocation with the T. Rowe Price Retirement Date Funds because the managers of these Funds determine, monitor, and adjust the asset allocations for you. These funds are appropriate for Plan participants who are unsure how to allocate their investments or want someone to do it for them.

The Plan offers the T. Rowe Price Retirement Date Funds in five-year increments from 2010 to 2055. The Funds provide an asset allocation strategy based on an investment time horizon, which is designated in the name of the particular fund. The fund managers design the asset allocation strategy of each fund to be appropriate for the average retirement investor accumulating assets and throughout retirement.

Asset allocation theory indicates a more aggressive investment allocation when there is a long time horizon for investing and a more conservative strategy as the time horizon shortens. The Retirement Date Funds are professionally managed to implement, monitor, and manage this asset allocation strategy for Plan participants with similar retirement time horizons.

Reviewing your asset allocation is a smart way to manage risk in your account and can help keep you on track to reach your goals. Call your Account Executive today and ask them to help you review your asset allocation.

Accessing Your Money During an Emergency

What is an unforeseeable emergency withdrawal? Federal regulations define an unforeseeable emergency as a financial emergency resulting from illness, accident, or property loss to you or your dependents resulting from circumstances beyond your control. The laws governing unforeseeable emergency withdrawals are very strict and allow them to be made only under limited circumstances. The purchase of a home or educational expense is not considered unforeseeable under the Plan or IRS Code. Payments from your Plan account can only be made to the extent that your hardship expenses are not covered by insurance or money available from other sources. You will also be required to suspend deferrals to the Plan for a period of six months. The process prescribed by law to qualify for an unforeseeable emergency withdrawal request is as follows:

STEP ONE: Complete the Unforeseeable Emergency Withdrawal Form. You can access a copy of the Unforeseeable Emergency Withdrawal Form from the Plan Web site or call the HELPLINE to speak to a representative who can assist you in determining whether your situation is likely to qualify for an unforeseeable emergency withdrawal.

STEP TWO: You must attest that you have used other available savings and liquid assets and any insurance to satisfy the emergency.

STEP THREE: Submit proof that you have incurred this financial loss.

STEP FOUR: The Plan's Administrative Service Agency will determine whether each hardship request complies with the unforeseeable emergency withdrawal guidelines.

STEP FIVE: Your request may be approved for up to an amount necessary to satisfy the unforeseeable financial emergency. Since the distribution is taxable as ordinary income, the amount withdrawn to cover the emergency will be increased by estimated income taxes.

Usually, a decision on the approval/denial of your unforeseeable emergency withdrawal request will be made within one week of your submission of all the required paperwork, although the Plan allows for up to 60 days. If approved, the amount requested is normally sent within five business days, but the Plan allows for up to 30 days for a distribution.

STEP SIX: Denials by the Administrative Service Agency may be appealed to the Review Committee. If your request for an unforeseeable emergency withdrawal is denied, your letter of denial will contain information about how to request an appeal and the time limits for doing so.

Call the HELPLINE to obtain preliminary guidance regarding your eligibility to obtain an unforeseeable emergency withdrawal. Plan representatives are not tax or legal advisors and the information is intended as education, not investment advice. However, they can talk things through with you, to make sure you've considered all of your alternatives before requesting an unforeseeable emergency withdrawal from your Plan account. You should also discuss income tax implications with your tax advisor prior to initiating an unforeseeable emergency withdrawal.

If You're Nearing Retirement, Know If You Have a Retirement Gap

Your Plan account is a supplemental retirement savings plan. It helps you save for retirement because your pension and Social Security may not be enough to meet all of your needs throughout your lifetime. The difference between your financial needs in retirement and your pension, Social Security, and savings is your retirement income gap. A simple math calculation can help you move toward your goal of a financially secure retirement and "closing the retirement gap."

Income you need in retirement

– **Income from your pension, Social Security and personal savings**

= **Your retirement gap**

Once you know your retirement gap, here are a few next steps:

1. Increase what you're contributing. Invest as much as you're comfortable contributing and then give your account the time and opportunity to grow.
2. Select an appropriate Retirement Date Fund or spread your money among different investment classes. The asset allocation model you choose is based on how comfortable you are with risk and the length of time until you need to access your account. It's important to make sure you use an asset allocation strategy that will help you reach your goals.
3. Continue working. If this option appeals to you, the additional income from a part-time job or new full-time job could help you close your gap. It can even give you an opportunity to try something new in life for a "second career."

Your Account Executive and HELPLINE Representatives may be able to help you with your individual situation. Find out today how to begin closing the gap to your retirement.

How much will I receive from Social Security?

Every year, you should receive a publication from the Social Security Administration that estimates your benefits at retirement and for other purposes. However, there are a number of assumptions used in preparing the illustration that may not apply to you. These include your retirement age and future expected earnings. To modify your estimates, you can prepare a customized illustration at www.ssa.gov/estimator.

Required Minimum Distributions Waived for 2009

To address the severe financial burden on participants who must take required minimum distribution (RMD) payments during the current economic crisis, Congress enacted the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) waiving RMDs payable from qualified, 403(b) and governmental 457(b) plans for the 2009 tax year.

RMD background

Once retired or separated from service, a participant can delay taking distributions from their Plan account. But eventually, the IRS does require participants to take minimum distributions, known as RMDs. These distributions must be taken beginning no later than a required beginning date, currently April 1 following the later of the calendar year in which the participant reaches age 70½ or retires. Beneficiaries of deceased Plan participants may also be subject to RMD rules.

Participants who do not receive timely RMD payments are subject to a 50% excise tax on the amount that should have been paid as an RMD. But this year, the “RMD waiver” is helping Plan participants and beneficiaries preserve their retirement savings.

Waiver of RMDs for Tax Year 2009

WRERA suspends the required minimum distribution provisions for 2009. This means that Plan participants who will be age 70½ or older on or before December 31, 2009, or are receiving RMDs as a Plan beneficiary, are not required to receive an RMD for the 2009 year.

The Plan will not automatically send RMD payments to Plan participants who would normally be required to receive them in 2009. If required, RMD payments will resume in 2010. The Plan will provide updates regarding RMD regulations for 2010 if changes occur.

Participants who are 70½ or older are eligible to receive regular benefit distributions at any time under the Plan’s normal distribution procedures, regardless of employment status.

If you wish to receive a distribution, complete a Benefit Distribution Request Form and select the amount and method of your payment.

WRERA does not waive 2008 RMDs, even for individuals who chose to delay taking their 2008 RMD until April 1, 2009 (e.g., retired employees who turned 70½ in 2008). These individuals must have taken their full 2008 RMD by April 1, 2009, or they face a 50% excise tax on the amount not withdrawn.

To Learn More

This information is of a general and informational nature and is not intended to constitute legal or investment advice. If the RMD waiver applies to your Plan account, we encourage you to talk with your local Account Executive or a HELPLINE Representative.

Military Personnel and the Provisions of the HEART Act

The HEART (Heroes Earnings Assistance and Relief Tax) Act provides that participants who are absent from employment due to qualified active duty military service and receive differential wage payments are to be treated as active employees for the purpose of participation in the Plan. This means that differential wage payments are treated as compensation that is eligible for deferral to the Plan.

The HEART Act also provides that participants who are absent from employment for qualified active duty military service are treated as having separated from service for the purpose of being allowed to take a distribution(s) from their Plan account. It is important to note that any participant who elects to receive such a distribution in accordance with the HEART Act may not make additional deferrals to the Plan for a period of six months after the most recent distribution.

Current Fund Developments

None to report at this time.

This newsletter provides information that is intended to help participants understand what investment alternatives are available to them under the Plan. If you need tax or legal advice, please ask your accountant or lawyer. While we are pleased to help keep you up-to-date on your retirement savings, nothing in this newsletter can change the terms of the Plan or any investment contract.

Participants in the New York State Deferred Compensation Plan will be charged administrative fees for the Plan year beginning April 1, 2009 and ending March 31, 2010.

Each participant is charged a $20 annual fee, assessed in two $10 semi-annual installments in April and October. In addition, an asset-based fee determined by the Board will be assessed to participants with a balance greater than $20,000. The asset-based fee will not be assessed on assets in excess of $200,000. The semi-annual asset-based fee to be assessed in April 2009 is 0.04%.

Each of the mutual funds offered by the Plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the investment fund selected.

Information provided by Account Executives is for educational purposes only and is not intended as investment advice.

Neither the Administrative Service Agency nor any of its representatives offer legal or tax advice. For such guidance, you should consult your own legal or tax adviser.

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, Member FINRA.

New York State
Deferred Compensation Plan
Room 124
Empire State Plaza
P.O. Box 2103
Albany, NY 12220

Q-514-0409 / NRM-2830NY-NY.16 (04/09)