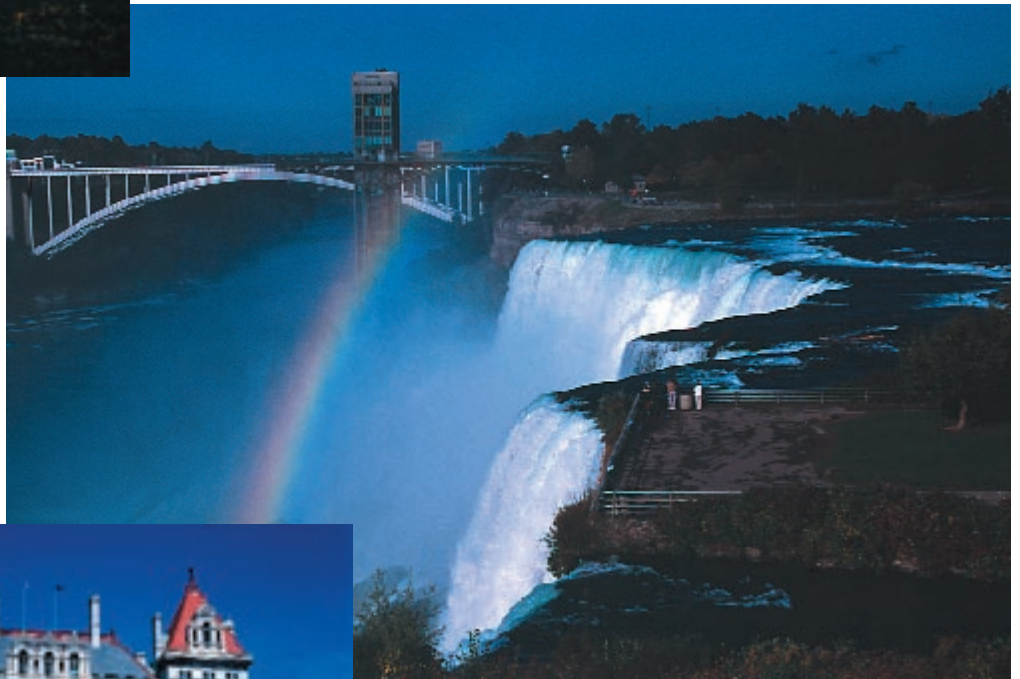


A Guide to the Plan's Investment Options, Fees and Exchange Provisions



New York State
Deferred Compensation Plan

A Plan for Your Future

About this Investment Information

This *Investment Options Guide* is intended to help you with an overview of the investment options under the New York State Deferred Compensation Plan. **This Guide is NOT a substitute for your thorough reading and careful analysis of all available investment information, as well as your consideration of the mix of investments that is right for you. Before you decide to direct investment 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).** While there is no prospectus for the Stable Income Fund because it is not a mutual fund or registered investment company, you may obtain an overview of the fund from these same sources.

Each mutual fund organization's name and logo are trademarks and/or registered trademarks of that organization, and are used only to describe each fund manager's services.

Some of the funds pay an expense reimbursement which the Plan uses to reduce the Plan's administrative expenses.

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Categories and Objectives

The statements of Investment Objective provided in this Guide (with the exception of the Stable Income Fund) were prepared by Morningstar, Inc., Chicago, IL. Although gathered from reliable sources, data accuracy and completeness cannot be guaranteed. Any investment involves risk, and there is no assurance that the investment objective will be achieved.

All mutual funds involve investment risks, including the possible loss of principal.

The information contained in the *Investment Options Guide* relating to investment objectives, Morningstar Category, and fund operating expenses is subject to change. The information provided here was last updated on July 13, 2005.

Index to Investment Options

| Asset Class | Page |
|---|------|
| Stable Income Funds | |
| <i>Fixed Account/Cash</i> | |
| The Stable Income Fund _____ | 6 |
| Money Market Funds | |
| <i>Fixed Account/Cash</i> | |
| Vanguard Prime Money Market Fund - Institutional Shares _____ | 6 |
| Bond Funds | |
| <i>Intermediate-Term Bond</i> | |
| Vanguard Total Bond Market Index Fund - Institutional Shares _____ | 6 |
| Vanguard GNMA Fund - Admiral Shares _____ | 7 |
| Balanced Funds | |
| <i>Conservative Allocation</i> | |
| Fidelity Freedom Funds - 2010 _____ | 7 |
| <i>Moderate Allocation</i> | |
| Fidelity Freedom Funds - 2020 _____ | 7 |
| Fidelity Freedom Funds - 2030 _____ | 9 |
| Pax World Balanced Fund _____ | 7 |
| The George Putnam Fund of Boston _____ | 8 |
| Vanguard Wellington Fund - Admiral Shares _____ | 8 |
| <i>Large Blend</i> | |
| Fidelity Freedom Funds - 2040 _____ | 8 |
| U. S. Common Stock Funds | |
| <i>Large-Cap Blend</i> | |
| Davis New York Venture Fund A _____ | 9 |
| Dreyfus Appreciation Fund, Inc. _____ | 9 |
| Fidelity Magellan Fund _____ | 9 |
| Vanguard Institutional Index Fund - Plus Shares _____ | 9 |
| Vanguard PRIMECAP Fund - Admiral Shares _____ | 9 |
| <i>Large-Cap Growth</i> | |
| Fidelity OTC Portfolio _____ | 9 |
| Harbor Capital Appreciation Fund _____ | 10 |
| Janus Fund _____ | 10 |
| <i>Large-Cap Value</i> | |
| ICAP Equity Portfolio _____ | 10 |
| Morgan Stanley IF Value Portfolio - Investment Class _____ | 10 |
| T. Rowe Price Equity Income Fund _____ | 10 |
| <i>Mid-Cap Growth</i> | |
| Alger MidCap Growth Institutional Fund _____ | 11 |
| Vanguard Capital Opportunity Fund - Admiral Shares _____ | 11 |
| <i>Small-Cap Blend</i> | |
| Wells Fargo Advantage Small Cap Value Fund Z (formerly Strong Advisor Small Cap Value Fund Z) _____ | 11 |
| <i>Small-Cap Growth</i> | |
| Columbia Acorn USA Fund - Class Z _____ | 11 |
| MTB Small Cap Growth Fund - Institutional Class _____ | 12 |
| International Stock Funds - Established Markets | |
| <i>Foreign Stock</i> | |
| American Century International Growth Fund - Investor Class _____ | 12 |
| Fidelity Diversified International Fund _____ | 12 |
| T. Rowe Price International Stock Fund _____ | 13 |
| International Stock Funds - Emerging Markets | |
| <i>Diversified Emerging Markets</i> | |
| MSIF Emerging Markets Portfolio - Class A _____ | 13 |

NYSDCP Risk/Return Profile




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The asset classification and/or investment style of any investment option may change. The information concerning asset classification and investment style provided in this guide was last updated on July 13, 2005.

The investment objective information helps you find funds with investment objectives similar to your own. When you find a fund that suits you, write the percentage of your contribution you wish to go to that fund in the space on the right. Make sure all percentages total 100%.

Stable Income Fund


Stable income funds seek to provide the maximum credited interest that can be earned using guaranteed investment contracts and short-term investments.

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|----------------|-------------------|----------------------|-------------------------|
|  % | The Stable Income Fund | Not Applicable | 2756 | Fixed Account/Cash | 0.10% |
| Investment Objective | The Stable Income Fund seeks to provide a relatively high fixed-income yield consistent with little market-related risk. Of primary importance is the preservation of principal and earned interest. Secondary to the preservation of capital is the need to generate, over time, a composite yield in excess of short-term yields available in the marketplace. | | | | |

Money Market Fund


Money market mutual funds invest shareholders' capital in debt securities with very short maturities.


Any money market fund's shares are not deposits of, or guaranteed or endorsed by, any bank, and shares are not insured or guaranteed by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other United States agency or other State agency. There can be no assurance that any money market fund will be able to maintain a stable net asset value of \$1.00 per share.

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|----------------------|-------------------------|
|  % | Vanguard Prime Money Market Fund - Institutional Class | VMRXX | 2758 | Fixed Account/Cash | 0.15% |
| Investment Objective | The fund seeks to provide current income while maintaining liquidity and a stable share price by investing in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. | | | | |

Bond Funds

A bond is debt security similar to an IOU between the bond holder and the issuer. A company or a government agency will issue a bond to raise money and will promise to pay the bond holder interest plus repay the principal on the maturity date. In managed bond funds, bonds are traded (bought and sold) between the time they are issued and when they mature. Like stocks, their market prices fluctuate over time. Bond prices move inversely with interest rates; that is, their prices go up when interest rates go down, and their prices go down when interest rates go up.




| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|------------------------|-------------------------|
|  % | Vanguard Total Bond Market Index Fund - Institutional Shares | VBTIX | 8261 | Intermediate-Term Bond | 0.08% |
| Investment Objective | The fund seeks to track the performance of the Lehman Brothers Aggregate Bond Index by investing in at least 80% of its total assets in bonds represented in the index. The index measures the total universe of public, investment-grade fixed income securities in the United States. | | | | |





| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|-----------------------------------|-------------------------|
|  % | Vanguard GNMA Fund - Admiral Shares | VFIJX | 8240 | Intermediate-Term Government Bond | 0.13% |
| Investment Objective | The fund seeks to provide current income and preserve investors' principal by investing at least 80% of its assets in Government National Mortgage Association (GNMA) pass-through certificates. GNMAs are fixed income securities representing part ownership in a pool of mortgage loans backed by the U.S. Government. | | | | |

Balanced Funds

A balanced fund invests in both stocks and bonds. It provides a balance between risk and return that investments in bonds or stocks alone are not expected to achieve. The purpose is to achieve higher returns than a bond fund but with less volatility or price fluctuation than most common stock funds.

The Fidelity Freedom Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Fidelity Freedom Fund, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|-------------------------|-------------------------|
|  % | Fidelity Freedom Funds - 2010 | FFFCX | 2757 | Conservative Allocation | 0.66% |
| Investment Objective | The fund seeks total return with capital appreciation as a secondary goal. The fund allocates all assets in a combination of underlying Fidelity mutual funds. It's target allocations are as follows: 20% of assets in equity funds, 40% in fixed-income funds, and 40% in money-market funds. The fund will not terminate when it reaches its target retirement date. Instead, it will continue to invest, becoming increasingly conservative over time until the fund's target allocation matches that of Fidelity Freedom Income Fund. At that time, the funds will combine and shareholders of Fidelity Freedom 2010 will become shareholders of Fidelity Freedom Income. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity Freedom Funds - 2020 | FFFDX | 2759 | Moderate Allocation | 0.74% |
| Investment Objective | The fund seeks total return with capital appreciation as a secondary goal. The fund allocates assets in a combination of underlying Fidelity mutual funds. It's target allocations are as follows: 83% of assets in equity funds, 17% in fixed-income funds, and 0% in money-market funds. The fund will not terminate when it reaches its target retirement date. Instead, it will continue to invest, becoming increasingly conservative over time until the fund's target allocation matches that of Fidelity Freedom Income Fund. At that time, the funds will combine and shareholders of Fidelity Freedom 2020 will become shareholders of Fidelity Freedom Income. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity Freedom Funds - 2030 | FFFEY | 2761 | Moderate Allocation | 0.79% |
| Investment Objective | The fund seeks total return with capital appreciation as a secondary goal. The fund allocates assets in a combination of underlying Fidelity mutual funds. It's target allocations are as follows: 85% of assets in equity funds, 15% in fixed-income funds, and 0% in money-market funds. The fund will not terminate when it reaches its target retirement date. Instead, it will continue to invest, becoming increasingly conservative over time until the fund's target allocation matches that of Fidelity Freedom Income Fund. At that time, the funds will combine and shareholders of Fidelity Freedom 2030 become shareholders of Fidelity Freedom Income. | | | | |







| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|----------------------|-------------------------|
|  % | Pax World Balanced Fund | PAXWX | 7299 | Moderate Allocation | 0.95% |
| Investment Objective | The fund primarily seeks income and capital preservation; long-term capital growth is secondary. The fund normally invests approximately 60% of assets in common stocks, preferred stocks, and convertible securities; it may invest the balance in bonds and debentures. Management seeks companies that produce goods and services that improve the quality of life. Companies engaged in manufacturing defense or weapons-related products or those engaged in the liquor, tobacco, and gambling industries are excluded from the portfolio. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | The George Putnam Fund of Boston | PGEOX | 2760 | Moderate Allocation | 1.00% |
| Investment Objective | The fund seeks to provide a balanced investment comprised of a well-diversified portfolio of stocks and bonds that will provide both growth of capital and current income. It normally invests at least 25% in fixed income securities, most of which are investment grade with maturities of three years or longer. A typical allocation for the fund would be 60-70% stocks and 30-40% bonds. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Vanguard Wellington Fund - Admiral Shares | VWENX | 8957 | Moderate Allocation | 0.17% |
| Investment Objective | The fund seeks moderate long-term capital growth and current income. The fund invests at least 60-70% of assets in dividend-paying value stocks. It may also invest 30-40% of assets in the following securities: high quality intermediate, long-term corporate, and U.S. Government bonds with an average maturity of 5 to 15 years. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity Freedom Funds - 2040 | FFFFX | 2763 | Large Blend | 0.82% |
| Investment Objective | The fund seeks high total return by investing in a combination of Fidelity equity, fixed-income, and money-market funds using a moderate asset allocation strategy designed for investors expecting to retire around the year 2040. It allocates assets among the underlying Fidelity funds according to an asset allocation strategy that becomes increasingly conservative until it reaches 20% in domestic equity funds, 40% in investment-grade fixed-income funds, and 40% in money market funds. The fund currently allocates 75% of assets to domestic equity funds, and 10% to high yield fixed-income funds. | | | | |

U.S. Common Stock Funds

A common stock represents an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth, their prices fluctuate based on changes in a company's financial condition and on overall market and economic expectations. Smaller companies can be especially sensitive to these factors. The U.S. common stock funds offered as part of the Plan are grouped by company size to help differentiate them.

Large-Cap Funds



Large-cap stocks are usually stocks of well-established companies — the names you know. They are generally companies with diversified product lines and experienced management teams. Many of these companies have sound businesses and have had a long history of steady growth.

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|----------------------|-------------------------|
|  % | Davis New York Venture Fund A | NYVTX | 6451 | Large-Cap Blend | 0.92% |
| Investment Objective | The fund seeks to achieve long-term growth of capital by investing in the common stocks of quality overlooked growth companies at value prices. The funds typically invest in large companies with market capitalizations of at least \$5 billion. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Dreyfus Appreciation Fund, Inc. | DGAGX | 3786 | Large-Cap Blend | 0.95% |
| Investment Objective | The fund seeks long-term capital growth consistent with the preservation of capital. Its secondary goal is current income. The fund generally invests at least 80% of net assets in the common stock of U.S. and foreign companies. The fund invests in large companies and employs a buy-and-hold investment strategy. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity Magellan Fund | FMAGX | 3624 | Large-Cap Blend | 0.62% |
| Investment Objective | The fund seeks capital appreciation by investing primarily in common stocks of U.S. and foreign companies. The fund may invest in either "growth" stocks or "value" stocks or both. No more than 40% of assets may be invested in companies operating exclusively in one foreign country. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Vanguard Institutional Index Fund - Plus Shares | VIII | 8466 | Large-Cap Blend | 0.025% |
| Investment Objective | The fund seeks to match the performance of the Standard & Poor's 500 Index, which is dominated by the stocks of large U.S. companies. The fund employs a passive management strategy and invests all or substantially all of its assets in the stocks that make up the index. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Vanguard PRIMECAP Fund - Admiral Shares | VPMAX | 2765 | Large-Cap Blend | 0.31% |
| Investment Objective | The fund seeks long-term growth of capital by normally investing in stocks of companies with above average prospects for continued earnings growth, strong industry positions, and skilled management teams. It also may invest in companies with below average earnings but bright prospects for earnings growth. The fund may not be broadly diversified; at times it may invest a large portion of its assets in select industries. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity OTC Portfolio | FOCPX | 3672 | Large-Cap Growth | 0.89% |
| Investment Objective | The fund seeks capital appreciation by investing primarily in common stocks. The fund normally invests at least 65% of total assets in securities that trade on the over-the-counter (OTC) market. The fund invests in the stocks of both U.S. and foreign companies and invests in either "growth" stocks or "value" stocks or both. The fund may invest up to 5% of assets in debt securities rated below investment-grade. | | | | |

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|----------------------|-------------------------|
|  % | Harbor Capital Appreciation Fund | HACAX | 2767 | Large-Cap Growth | 0.67% |
| Investment Objective | The fund seeks long-term growth of capital; dividend income is secondary. The fund normally invests at least 65% of assets in equity securities of established companies, typically those with market capitalizations of at least \$1 billion. To select securities, the advisor seeks companies exhibiting superior sales growth, high returns on equity, strong balance sheets, excellent management capability, strong R&D, and unique marketing competence. The fund may also invest in short-term obligations and foreign securities in the form of depository receipts. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Janus Fund | JANSX | 5267 | Large-Cap Growth | 0.90% |
| Investment Objective | The fund seeks long-term growth of capital in a manner consistent with the preservation of capital. The fund is designed for long-term investors who can tolerate greater risks associated with common stock investments. The fund may also invest a portion of its assets in bonds rated below investment-grade, preferred stocks, warrants, government securities and corporate debt. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | ICAP Equity Portfolio | ICAEX | 2769 | Large-Cap Value | 0.80% |
| Investment Objective | The fund seeks total return with moderate risk. Management attempts to achieve a total return greater than the S&P 500 with an equal or lesser degree of risk by investing in domestic equities with market capitalizations of at least \$500 million. Investments are decided by interest rates, inflation, business cycle outlook, and strategic economic and/or industry themes. Management employs computer models to search for issuers possessing best relative value based on P/E projections and earnings momentum. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Morgan Stanley IF Value Portfolio - Investment Class | MPVIX | 2762 | Large-Cap Value | 0.78% |
| Investment Objective | The fund seeks above-average total return over a market cycle of three to five years. The fund invests primarily in common stocks of companies with equity capitalizations of greater than \$2.5 billion. The fund focuses on stocks that are undervalued in comparison with the stock market as a whole. The fund may invest, to a limited extent, in foreign equity securities and engages in options and futures strategies. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | T. Rowe Price Equity Income Fund | PRFDX | 7739 | Large-Cap Value | 0.74% |
| Investment Objective | The fund seeks to provide substantial dividend income and long-term growth of capital. It typically uses a value approach in selecting investments. The fund seeks investments that appear to be undervalued or temporarily out of favor, but have good prospects for capital appreciation and dividend growth. The fund may invest up to 25% of assets in foreign securities. | | | | |

Mid-Cap Funds



Mid-caps range from relatively young enterprises to more established companies poised for market leadership. Some may be in new economy industries such as Internet, wireless, and biotechnology, but mid-caps can cover nearly every industry sector. In general, mid-cap stocks offer growth potential with medium risk.


| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|----------------------|-------------------------|
|  % | Alger MidCap Growth Institutional Fund | ALMRX | 2773 | Mid-Cap Growth | 1.15% |
| Investment Objective | The fund seeks long-term capital appreciation by normally investing at least 65% of assets in equities issued by companies with market capitalizations within the range of the S&P MidCap 400 Index. It may invest up to 35% of assets in equities issued by companies with market capitalizations outside of this range. The fund may also engage in options and futures transactions. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Vanguard Capital Opportunity Fund - Admiral Shares | VHCAX | 3224 | Mid-Cap Growth | 0.41% |
| Investment Objective | The fund seeks long-term total return by investing primarily in equities of small and mid-cap U.S. companies. It typically concentrates investments in as few as 25 to 50 stocks. To select investments, the fund tries to find stocks with strong industry positions, excellent prospects for growth, superior return on equity, and talented management teams. The fund may short stocks up to 10% of assets. It may invest up to 15% of assets in foreign securities. The fund may also invest up to 10% in both convertibles and high-yield bonds. | | | | |

Small-Cap Funds

Investors often think of small caps as young, dynamic companies in high-growth phases. However, not all small cap stocks have technology focus. There are small cap stocks in nearly every industry sector. It is true, however, that small-company stocks are often more volatile than stocks of larger, more established companies. Smaller companies do not always have the resources and management experience to weather down-turns in business cycles. Small caps can offer growth potential, but may have higher risk.

Small company funds involve increased risk and volatility.




| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|----------------------|-------------------------|
|  % | Wells Fargo Advantage Small Cap Value (formerly Strong Advisor Small Cap Value Fund Z) | SSMVX | 2779 | Small-Cap Blend | 1.40% |
| Investment Objective | The fund seeks capital growth by normally investing at least 80% of assets in equity securities, including common and preferred stocks, convertibles, and warrants. It typically invests in small companies with market capitalizations of \$2 billion or less. The fund may invest the remaining assets in debt obligations, including intermediate- to long-term corporate debt or U.S. government obligations. It may also invest up to 25% of assets in foreign securities, either directly or through depository receipts. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Columbia Acorn USA Fund - Class Z | AUSAX | 8730 | Small-Cap Growth | 1.09% |
| Investment Objective | The fund seeks long-term growth of capital by normally investing at least 65% in U.S. companies. It may invest primarily in stocks of small- and medium-sized U.S. companies. It generally invests in the stocks of U.S. companies with capitalizations of less than \$2 billion. The fund can invest in foreign securities and options or futures. | | | | |

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|---|---------------|-------------------|----------------------|-------------------------|
|  % | MTB Small Cap Growth Fund - Institutional Class | ARPEX | 2783 | Small-Cap Growth | 1.19% |
| Investment Objective | The fund seeks capital appreciation by normally investing at least 65% of assets in special equities. These include common stocks or convertibles issued by companies with market capitalizations of less than \$1.2 billion, or companies experiencing a special situation, such as technological advances, industry changes, new management, or favorable changes in demographic patterns. The fund may invest up to 35% in debt. It may also invest up to 35% in foreign securities. | | | | |

International Stock Funds - Established Markets

International stocks are common stocks of companies with headquarters outside the United States and listed on foreign stock exchanges. These securities are subject to the same factors that cause fluctuations in common stock prices in the U.S. There are additional factors for investors to consider, such as the stability of the government in the country in which the company primarily operates, the less efficient flow of information and market regulation, and currency exchange rate fluctuations and controls.

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


| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|----------------------|-------------------------|
|  % | American Century International Growth Fund - Investor Class | TWIEX | 8930 | Foreign Stock | 1.26% |
| Investment Objective | The fund seeks capital growth by investing in the stocks of growing foreign companies located in developed countries. The fund usually invests in issuers from at least three countries located outside the United States. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | Fidelity Diversified International Fund | FDIVX | 2768 | Foreign Stock | 1.12% |
| Investment Objective | The fund seeks capital growth by investing primarily in the stocks of large companies located outside the United States. The majority of the investments are made in companies with capitalizations over \$100 million. The portfolio manager uses fundamental analysis of each issuer's financial condition and industry position and market and economic conditions to select investments. | | | | |
| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|  % | T. Rowe Price International Stock Fund | PRITX | 7748 | Foreign Stock | 0.92% |
| Investment Objective | The fund seeks long-term growth of capital by investing in the common stocks of established non-U.S. companies in both developed and emerging markets. Stock selection reflects a growth style. The fund may purchase the stocks of companies of any size, but the focus will typically be on large and, to a lesser extent, medium-sized companies. The fund typically maintains investments in at least three foreign countries. | | | | |

International Stock Funds - Emerging Markets

Emerging Markets Funds

These funds invest principally in the less developed markets of Asia, Latin America, eastern Europe, and Africa. Compared with more mature markets, developing markets offer potential for sharp growth rates.

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

| Election Percentage | Fund name | Ticker Symbol | HELPLINE VRU Code | Morningstar Category | Fund Operating Expenses |
|---|--|---------------|-------------------|------------------------------|-------------------------|
|  % | MSIF Emerging Markets Portfolio - Class A | MGEMX | 2766 | Diversified Emerging Markets | 1.52% |
| Investment Objective | The fund seeks long-term capital appreciation by investing in growth-oriented equity securities in companies located in emerging market countries. It may not invest in any country where the currency is not exchangeable into U.S. dollars, except when a government sanction is obtained. | | | | |

Plan Fees

Participants in the New York State Deferred Compensation Plan are charged an annual administrative fee of \$14, assessed as two \$7 charges in March and September of each Plan year. The Deferred Compensation Board may waive such a charge when circumstances permit.

Each of the mutual funds offered by the Plan has a fund operating expense that is deducted directly from the fund's daily price. These fees vary based on the mutual fund selected (see Fund Operating Expenses). For a complete description, please refer to the fund prospectus.

Some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully.

The Plan's administrative expenses are funded by three primary sources of revenue: (1) reimbursements that most of the Plan's mutual funds pay to the Plan based on the amount of participant assets that they manage; (2) the semi-annual participant fee and, (3) interest income earned on revenue received by the Plan. Mutual fund reimbursements are negotiated with individual mutual funds and currently range from .10% to .35% of assets annually. The current participant fee is \$14 per year or \$7 semi-annually. The mutual fund reimbursement and semi-annual participant fees are deposited in an interest bearing account. All revenues are used to pay the Plan's administrative expenses. The Plan's mutual fund reimbursements can be found on the following page.

Exchange Provisions and Restrictions

General Provisions Relating to Exchanges of Plan Assets Within the Plan's Investment Options

- Exchanges of assets may be made by calling the Plan's HELPLINE (1-800-422-8463) or through the Plan's Web site (www.nysdcp.com).
- All requests for exchanges between any of the Plan's investment options, including the Stable Income Fund, that are received prior to the close of the NYSE (normally 4 PM, E.T.) will be processed at that day's closing price. Exchanges received after the close of the NYSE or on a day that the NYSE is closed will be processed at the closing prices of the next business day.

Restrictions on Exchanges From the Stable Income Fund to the Vanguard GNMA Fund or the Vanguard Prime Money Market Fund - Institutional Shares

Direct exchanges are not permitted from the Stable Income Fund to the Vanguard GNMA Fund or the Vanguard Prime Money Market Fund - Institutional Shares. Exchanges out of the Stable Income Fund are permitted only to non-competing mutual funds. Upon an exchange from the Stable Income Fund to a non-competing mutual fund, the Plan prohibits exchanges to the Vanguard GNMA Fund or the Vanguard Prime Money Market Fund - Institutional Shares for 90 days.

Restrictions on Exchanges From International Equity and Emerging Market Growth Funds

- Exchanges out of international stock funds are limited to one exchange per month. If an exchange out of any one of the international stock funds is made during a calendar month, no additional exchanges out of any of the international stock funds may be made until the next calendar month. The international stock funds are the American Century International Growth Fund, the Fidelity Diversified International Fund, and the T. Rowe Price International Fund.
- A separate restriction of one outgoing exchange per month applies to the MSIF Emerging Markets Portfolio.

Individual Fund Restrictions

In addition to the exchange restrictions previously described, each mutual fund may impose exchange limitations. These restrictions are generally included in the prospectus of each mutual fund. Exchanges in excess of the exchange limitations imposed by a mutual fund may result in restrictions being placed on the account of the participant or the rejection of an exchange request. The prospectus of the mutual fund may be obtained from the Plan's Web site or the HELPLINE (1-800-422-8463).

Mutual Fund Reimbursements

Under current industry practices, many mutual fund companies pay reimbursements to retirement plans where the plans are performing administrative functions that mutual fund companies would otherwise have to perform themselves. The Plan uses all revenues it receives under these contractual arrangements to pay the Plan's administrative expenses. The following mutual funds currently pay reimbursements to the Plan in the following amounts.

| Mutual Fund | Reimbursement (as a percentage of assets managed)* |
|--|---|
| Alger MidCap Growth Institutional Fund | .25% |
| American Century International Growth Fund | .25% |
| Columbia Acorn USA Fund | .25% |
| Davis New York Venture Fund A | .25% |
| Dreyfus Appreciation Fund | .25% |
| Fidelity Freedom Fund - 2010 | .25% |
| Fidelity Freedom Fund - 2020 | .25% |
| Fidelity Freedom Fund - 2030 | .25% |
| Fidelity Freedom Fund - 2040 | .25% |
| Fidelity Magellan Fund | .25% |
| Fidelity OTC Portfolio | .25% |
| Fidelity Diversified International Fund | .25% |
| ICAP Equity Portfolio | .25% |
| Janus Fund | .25% |
| Morgan Stanley IF Value Portfolio | .25% |
| MSIF Emerging Markets Portfolio | .25% |
| MTB Small Cap Growth Fund | .15% |
| PAX World Balanced Fund | .25% |
| The George Putnam Fund of Boston | .35% |
| Putnam International Equity Fund | .35% |
| Strong Advisor Small Cap Value Fund | .35% |
| T. Rowe Price Equity Income Fund | .10% |
| T. Rowe Price International Stock Fund | .10% |

*Reimbursement percentages are subject to change. These percentages are effective as of April 1, 2004.

Mutual funds offered by Harbor Capitol and the Vanguard Group do not pay mutual fund reimbursements to the Plan.

Interim Excessive Trading Policy

In addition to the previously described exchange restrictions, the Plan has developed an Interim Excessive Trading Policy to prevent potential detrimental impacts of excessive trading that include the rejection of an exchange request, a potential negative impact on investment performance, or the closure of a mutual fund to all participants by an investment manager. The entire text of the Policy may be viewed on and printed from the Plan's Web site (www.nysdcp.com) or requesting a copy from the HELPLINE (1-800-422-8463).

The Interim Excessive Trading Policy provides that upon notification by an investment manager that it suspects excessive trading, the Plan will identify Plan participants who are exceeding the exchange guidelines and issue an initial warning letter. The Policy was established by the Plan to assure that long-term Plan investors are not adversely affected by potential excessive exchanges in that mutual fund.

If, after receiving the warning letter, the exchange activity of the Plan participant does not adhere to the mutual fund's prospectus guidelines, the participant may be subject to restrictions that may include a prohibition of making subsequent investments in the affected fund(s) or the loss of electronic transaction privileges. Excessive trading limits do not apply to systematic investments such as payroll deferrals.

The Plan reserves the right to adjust or add to the above restrictions at any time.

Short-Term Redemption Fees

A number of mutual fund companies are currently assessing fund-specific short-term redemption fees on exchanges or the sale of fund shares for other purposes. These short-term redemption fees are required by and paid directly to the mutual fund. The Plan administers these short-term redemption fees on behalf of the mutual fund. However, the mutual funds establish the standards for their administration. Mutual funds that assess a short-term redemption fee require participants to own fund shares for a specific period of time, for example 30 or 90 days. A short-term redemption fee will be assessed when a participant sells those fund shares before the minimal holding period expires. The mutual fund sets the short-term redemption fee as a percentage of the value of the fund shares that are sold, for example 1% or 2% of the value of the sale. Short-term redemption fees may be imposed on exchanges of shares or the sale of fund shares for other purposes. Please visit the Plan's Web site (www.nysdcp.com) or call the HELPLINE (800-422-8463) for more detailed and current information about which mutual funds are assessing short-term redemption fees and the criteria. The Board is currently reviewing these new requirements with the objective of assuring fairness for all Plan members and has written to the SEC advocating for reforms that will address trading abuses.

Plan Allocation Changes

Changes in the investment allocation of future contributions may be made by calling the Plan's HELPLINE (1-800-422-8463) or through the Plan's Web site (www.nysdcp.com). All allocation changes will become effective on the first available pay period following the receipt of the request.

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New York State Deferred Compensation Plan

A Plan for Your Future

Plan Mission Statement

The New York State Deferred Compensation Plan is a voluntary retirement savings plan that provides quality investment options, investment educational programs and related services to help State and local public employees achieve their retirement savings goals.

Administrative Service Agency

Mailing Address:

New York State Deferred Compensation Plan
Administrative Service Agency, PW-03-01
PO Box 182797
Columbus, OH 43218-2797

Phone:

Toll Free (800) 422-8463
Available 24 hours a day. Personalized assistance is available 8 a.m. to 11 p.m. Monday through Friday and 9 a.m. to 6 p.m. on Saturdays, except holidays.

TTY/TDD services are available toll-free
(800) 514-2447 — 24 hours a day.

Web Site:

www.nysdcp.com

New York State Deferred Compensation Board
Empire State Plaza Concourse-North, Room 124
Albany, NY 12220
(518) 473-6619

The NYSDCP does not discriminate on the basis of disability in the provision of service or employment. If you need this material interpreted in a different form or if you need assistance using it, contact us at (800) 422-8463.

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The New York State Deferred Compensation Plan is a State-sponsored employee benefit for State employees and employees of participating employers.

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