

**Date:** July 30, 2015

**To:** THE TRUSTEES

**From:** THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**Subject:** Employees' Savings and Deferred Compensation Plans – Contract Award

SUMMARY

The Trustees are requested to approve the award of a five-year contract to T. Rowe Price Group, Inc. to provide record-keeper, investment management and trustee services for the Authority's two retirement savings plans, the Employees' Savings ("401(k)") Plan and the Deferred Compensation ("457") Plan (collectively, "the Plans").

BACKGROUND

In February 1984, the Trustees approved the implementation of the 401(k) Plan. The 401(k) Plan is designed to provide salaried employees with a means of saving through a tax-deferred compensation arrangement. Under the 401(k) Plan, employees may elect to defer receiving a portion of their salary and direct the investment of this deferred compensation in a selection of investments. At present, more than 89% of eligible salaried employees participate in the 401(k) Plan. As of December 31, 2014, the 401(k) Plan assets totaled approximately \$283 million.

In March 1989, the Trustees approved the implementation of the 457 Plan. The 457 Plan was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax-deferred compensation program, although the Plan is also available to salaried employees. Under the 457 Plan, employees may elect to defer receiving a portion of their salary and direct the investment of this deferred compensation in a selection of investments. At present, more than 69% of eligible collective bargaining agreement employees and 23% of eligible salaried employees participate in the 457 Plan. As of December 31, 2014, the 457 Plan assets totaled approximately \$95 million.

The Authority's 401(k) Plan and 457 Plan Committees (collectively, "the Committees") administer the respective Plans and may act on behalf of the Trustees in certain circumstances. The 401(k) Plan Committee is comprised of Justin Driscoll, Executive Vice President and General Counsel; Kristine Pizzo, Senior Vice President - Human Resources; Paul Tartaglia, Senior Vice President - Energy Resource Management; Brenda Verdesi, Manager - Benefits; and Brian McElroy, Treasurer. The 457 Plan Committee is comprised of Tom Concadoro, Vice President and Controller; Paul Grozio, Chief Draftsperson; Eric Firnstein, Facility Labor Relations Manager; Lawrence Hubbard, Electronic and Relay Technician; and Brenda Verdesi, Manager - Benefits. Lori Alesio, a non-voting participant, provides legal counsel.

## DISCUSSION

On February 6, 2015, the Authority solicited proposals for firms interested in providing administrative/record-keeper, investment management and trustee services on behalf of the Plans by notice to a number of firms providing such services and advertisement in the New York State *Contract Reporter*. On March 5, 2015, the Authority received responses from the following seven firms:

Empower Retirement/FASCore, LLC (“FASCore”)

Lincoln Financial Group

MassMutual Life Insurance Company

New York State Deferred Compensation Plan

Prudential Retirement (“Prudential”)

T. Rowe Price Group, Inc. (“T. Rowe Price”)

Voya Institutional Plan Services, LLC

The Committees, with the support of PFM Advisors (“PFM”), a financial advisory consulting firm, conducted an evaluation of the bids. Based on a scoring and assessment process developed by the Committees and PFM, vendor responses were evaluated and scores applied to each of the following criteria: organizational expertise and experience; account management; conversion of data; plan record-keeping/administrative services; system capabilities; participant services; investment services; and plan sponsor services, fees, expenses, revenue sharing and terms. Based on the evaluation of the vendor responses, the Committees invited the three firms with the highest scoring (FASCore, Prudential and T. Rowe Price) to the White Plains Office on April 29, 2015 for oral interviews. Based on the initial evaluation and in-person interviews, the Committees determined that T. Rowe Price was the most qualified bidder to provide record-keeper, investment management and trustee services for the Authority’s savings Plans.

T. Rowe Price brings a long history of solid fund performance with deep experience in the defined contribution market. They have sound administrative and record-keeping capabilities and have the singular advantage of not having to conduct a conversion of assets and records as they are the current record-keeper for the Plans. T. Rowe Price has provided a high degree of customer service to the Authority over the years, and has a high customer satisfaction rating among the Authority’s employees. The T. Rowe Stable Value Fund will continue to be offered as the capital preservation fund. The company’s overall fees, revenue sharing, and waiver of all loan fees make it the lowest-priced qualified bidder. Recordkeeping and administration fees will be \$68 per participant per year which also includes plan communications and trustee fees. It is expected that the participant fee will be offset by revenue generated from the investment funds based on a sharing arrangement with T. Rowe Price. T. Rowe Price will credit the respective Plan 25 basis points on assets invested in T. Rowe Price funds and varied basis points on assets invested in non-T. Rowe Price funds. If the revenue generated is not sufficient to offset the participant fees, the difference will be invoiced to the Authority. Revenue generated in excess of the participant fees (as expected) will be used to cover qualified Plan expenses and as a credit to Plan participants.

## FISCAL INFORMATION

Based on revenue sharing projections, it is estimated that participant fees (\$68 per participant per year or approximately \$172,856) will be offset by revenue generated from the sharing arrangement. If the sharing arrangement does not generate sufficient revenue to offset the participant fees, the difference will be invoiced to the Authority.

## RECOMMENDATION

The Senior Vice President – Human Resources recommends that the Trustees approve the award of a five-year contract to T. Rowe Price Group, Inc. to provide record-keeper, investment management and trustee services for the Authority's Employees' Savings Plan and Deferred Compensation Plan.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones  
President and Chief Executive Officer

## **RESOLUTION**

RESOLVED, That an agreement for record-keeping, investment management and trustee services with T. Rowe Price Group, Inc. in connection with the 401(k) and 457 Plans is hereby approved for a period of five years commencing October 1, 2015 as discussed in the foregoing memorandum of the President and Chief Executive Office; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.