

FOR CONSIDERATION

July 27, 2022

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Approval of the 457(f) Deferred Compensation Plan

Requested Action

The Board of Trustees (the “Board”) is requested to approve a resolution, attached hereto as **Exhibit "A"**, authorizing the Chief Executive Officer (“CEO”), or his designee, to implement a 457(f) Deferred Compensation Plan.

Background

The Board’s [Policy on Staffing and Employment](#) authorizes and directs the CEO to administer “compensation practices and benefits for LIPA’s Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce.” Attracting and retaining high-performing, experienced, utility employees is critical to delivering the Board’s vision for clean, reliable, affordable energy for Long Island and Rockaways customers.

The Great Resignation has been a prominent feature of the U.S. labor market since Spring 2021, while inflation and employee wage growth are significantly above historical levels. According to Willis Towers Watson’s 2022 Global Benefits Attitudes Survey, 44% of employees are “job seekers,” and over half of workers said higher pay was a top reason they would look for a new job. A strong job market with ample opportunities and higher pay are luring employees to find work elsewhere throughout the economy, including in the utility sector. The competitive job market has also made finding qualified employees more challenging.

Other large public power utilities have found success with incorporating 457(f) plans into their salary and benefit plans and similar deferred compensation programs are common in the utility industry more broadly. 457(f) plans award deferred compensation that is paid out over several years based on continued satisfactory job performance. Presently, LIPA only has salary that is paid out immediately as an attraction and retention tool for employees. Incorporating deferred compensation into benefit offerings encourages employee retention and performance and is more advantageous to customers than limiting compensation tools solely to salary.

457(f) Deferred Compensation Plan

The 457(f) Deferred Compensation Plan (the “Plan”) is intended to defer a percentage of an employee’s salary each year based on the employee’s performance evaluation. The Plan may also selectively be used to attract a candidate to accept a LIPA job offer for a particularly hard-to-recruit position (e.g. information technology).

The deferred compensation as a percentage of salary will be set annually by the CEO as part of the performance evaluation process and will be the same for all employees at a similar performance level. The Board’s Policy requires LIPA to establish a salary range for each position and the deferred compensation

will be part of the benchmarking of compensation for each position to ensure that total compensation is competitive but not excessive.

All full-time employees are eligible for this benefit. The deferred compensation would generally vest over three years provided the employee continues to receive performance evaluations of “meets expectations” or better. For retirement-eligible employees, deferred compensation would vest upon retirement eligibility.

Plan Investments

This Plan is funded solely by LIPA and is owned and controlled by LIPA. LIPA will make all decisions regarding the investment and allocation of the Plan. The Plan shall be part of the general assets of LIPA, subject to all claims of its creditors, and shall not be a trust fund or collateral security for LIPA's obligation to pay the employee participant the amount of the deferred salary.

LIPA's funding, or Plan contributions, will be held in a LIPA account, and employee participants will receive a pro-rata share of the interest paid into the account from investing the funds. Plan assets will be valued once per year following the end of the Plan Year.

Cost

The cost for administering the Plan is approximately \$10,000 per year after an initial one-time \$6,000 fee to prepare the Summary Plan Document. This annual fee includes allocating earnings to participants' accounts annually, issuing annual benefit statements, and being available to answer questions throughout the year.

Recommendation

LIPA Staff recommends the approval of the 457(f) Deferred Compensation Plan as described above.

Attachment

Exhibit "A" Resolution

APPROVAL OF THE ESTABLISHMENT OF A 457(F) PLAN

WHEREAS, it is the policy of the Long Island Power Authority (“LIPA”) to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical, productive, and accountable workplace; and

WHEREAS, the Board of Trustees authorizes and directs the Chief Executive Officer to establish and administer compensation practices and benefits for LIPA’s Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; and motivate and reward individual performance; and

WHEREAS, establishing a performance based 457(b) deferred compensation plan is an effective tool for attracting and retaining the high-performing, experienced, utility employees critical to delivering the Board’s vision for clean, reliable, affordable energy for Long Island and Rockaways customers.

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the Board hereby directs the establishment of a 457(f) Plan.

Dated: July 27, 2022