



CITY OF ALBANY
Office of Audit and Control
24 Eagle Street
Albany, NY 12207

November 21, 2019

Rachel McEneny
Commissioner of Administrative Services
City of Albany
24 Eagle Street
Albany, NY 12207

Re: Review of Voluntary Defined Contribution Program

Dear Ms. McEneny:

The New York State Voluntary Defined Contribution Program (VDC) is a defined contribution retirement plan and is an alternative option to the defined benefit plans, which includes the Employee Retirement System (ERS) and Teachers Retirement System (TRS).

A defined contribution plan is a type of retirement plan in which the amount of the employer's contribution is specified. Individual accounts are established for employees. The value of each account is the sum of employee contributions, employer contributions and earnings based on the employee's chosen investment allocations. The VDC Program is administered by TIAA-CREF.

The Office of Audit and Control (OAC) performed a review of the City of Albany's procedures related to the VDC. The OAC's review focused on new employee enrollment.

Based on New York State Law, employee and employer contributions should be held in an interest-bearing account during the first 366-days of service. At the end of the 366-day period all contributions plus interest are sent to TIAA-CREF for processing.

The OAC met with personnel from Human Resources and Payroll on August 23, 2019. Discussion focused on four vested employees that had chosen to enroll in the VDC Program. VDC funds for these individuals had not been sent to TIAA-CREF at the time of our review.

This issue was initially discovered by the Deputy Treasurer and Deputy Chief City Auditor, who indicated that six employees had weekly deductions withheld from their paychecks but only two employees had monies transferred to TIAA-CREF on a weekly basis.

The OAC recommended action items from this meeting as follows:

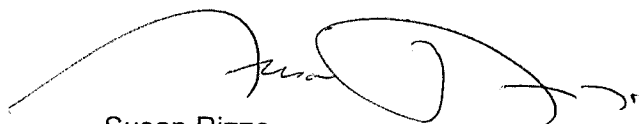
1. Notify the four City of Albany employees affected by this issue.
 - a. The OAC has not confirmed that employees have yet been notified.
2. Establish weekly transfers for the four vested employees.
 - a. These transfers began the week ending September 20, 2019.
3. Calculate the funds necessary to make a lump sum transfer to correct aforementioned employees' retirement accounts. This figure will include the total employee and employer contributions, the initial 366-day interest earnings, and any unrealized investment gains that an employee's account would have accrued if not for the City's oversight.
 - a. Unrealized gains and losses will be calculated using the employees' chosen investment options, however account balances will not be adjusted below the amount of the combined contributions.
4. Establish a procedure for new employees that meet the VDC Program criteria going forward. The basic framework of the plan is as follows:
 - a. Human Resources will provide new employees that qualify with information about the VDC Program and the New York State and Local Retirement System (NYSLRS). Human Resources will notify Payroll about the employee's enrollment choice.
 - b. Once notified, Payroll will complete the employee's account setup in the TIAA-CREF portal.
 - c. The standard process for a new enrollee should proceed;
 - i. Establish the correct deduction amount to be withheld each week from the employee's paycheck and the correct employer contribution that will be segregated within the City's cash balance to ensure interest is earned in accordance with NYS law as specified above in this memo;
 - ii. Develop a triggering mechanism to notify the Treasurer's Office when each employee's service approaches the end of the 366-day period and must be transferred to the TIAA-CREF administrators for further account management; and
 - iii. Establish a procedure to ensure that weekly employer and employee contributions for each enrolled employee with over one year of service are transferred to TIAA-CREF in a timely and consistent manner.

As of the date of this memorandum, the calculations for these four vested employees are being performed by Payroll with the assistance of TIAA-CREF and will be reviewed by the Budget Office.

The OAC would like to finalize this review no later than December 6, 2019. The OAC will review the lump sum calculations and approve a wire transfer to TIAA-CREF. Additionally, please confirm that the four city employees affected by this issue have been notified as specified in the recommendations listed above.

Thank you for your attention to this review. Please note that we have also identified similar issues related to new employee enrollment in the New York State Local Retirement System. These observations will be communicated in a separate memorandum.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan Rizzo", with a large, stylized flourish extending to the right.

Susan Rizzo
Chief City Auditor

cc: Kathy Sheehan, Mayor
Brian Shea, Chief of Staff
William Kelly Esq., Corporation Counsel
Corey Ellis, President of the Common Council
Celia Gonzalez, Acting Human Resources Director
Kim Wilcox, Payroll Director
Ransom Moore, Deputy Chief City Auditor
Stephanie Slominski CIA, Auditor