

Date: March 28, 2018

To: Board of Directors

From: Doug Kelsey

Subject: RESOLUTION 18-03-26 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH THE INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT CORPORATION (ICMA-RC) FOR THIRD-PARTY ADMINISTRATION AND RECORDKEEPING SERVICES FOR TRIMET'S 401(a) DEFINED CONTRIBUTION PLANS AND 457(b) DEFERRED COMPENSATION PLAN

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (Board) authorize the General Manager to execute a contract with ICMA-RC for third-party administration and recordkeeping services for TriMet's 401(a) defined contribution plans and 457(b) deferred compensation plan (the Services).

2. Type of Agenda Item

- Initial Contract
 Contract Modification
 Other _____

3. Reason for Board Action

Board authorization is required for personal services contracts obligating TriMet to pay in excess of \$500,000.

4. Type of Action

- Resolution
 Ordinance 1st Reading
 Ordinance 2nd Reading
 Other _____

5. Background

TriMet sponsors and contributes to four retirement plans: (1) a defined benefit public employee retirement plan for union employees; (2) a defined benefit retirement plan for management employees; (3) a defined contribution plan for union employees hired on or after August 1, 2012; and (4) a defined contribution plan for management employees hired after April 2003.

TriMet's Union Defined Contribution 401(a) Plan. Effective August 2012, the District adopted the TriMet Defined Contribution Retirement Plan for Union Employees (Union DC Plan) in accordance with IRS Code Section 401(a).

Participation in the Union DC Plan is mandatory for all union employees hired on or after August 1, 2012, and these employees are not eligible to participate in the defined benefit retirement plan. Under the Union DC Plan, the District contributes 8% of compensation in each pay period. Employees may also contribute up to 15% of their compensation to the Union DC Plan.

As of June 30, 2017, there were 1,150 participants in the Union DC Plan, with a total of \$14.6 million in assets.

TriMet's Management Defined Contribution 401(a) Plan. Effective April 2003, the District adopted the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (Management DC Plan) in accordance with IRS Code Section 401(a). The Board has appointed a Committee to oversee the Management DC Plan.

Participation in the Management DC Plan is mandatory for all non-union employees hired after April 26, 2003, and these employees are not eligible to participate in the defined benefit retirement plan. Under the Management DC Plan, the District contributes 8% of compensation in each pay period. Employees may also contribute up to 15% of their compensation to the Management DC Plan.

As of June 30, 2017, there were 468 participants in the Management DC Plan, with a total of \$34.1 million of assets.

TriMet's 457 Deferred Compensation Plan. The District offers all employees a deferred compensation plan (457 Plan) created in accordance with IRS Code Section 457(b). The 457 Plan permits employees to defer a portion of their current salary until termination, retirement, death or financial hardship. The Board has appointed trustees to perform administrative and oversight responsibilities for the 457 Plan.

As of June 30, 2017, there were approximately 1,856 participants in the 457 Plan, with a total of \$108.2 million of assets.

6. Procurement Process

On October 27, 2017, TriMet issued a Request for Proposal (RFP) for the Services. Due to the complexity and nature of the Services, TriMet was assisted in the drafting of the RFP and evaluation of responses by its consultant, The Hyas Group. The Hyas Group was awarded a Contract authorized by Board Resolution 16-06-03.

On November 28, 2017, proposals were submitted to TriMet by Empower Retirement (Empower), ICMA-RC, Massachusetts Mutual Life Insurance (MassMutual), Prudential Retirement Insurance and Annuity Company (Prudential) and Voya Financial (Voya).

A Source Evaluation Committee (SEC) comprised of staff from TriMet's Finance and Legal Services Divisions, as well as a representative from ATU-757 (who later declined to participate), and with the assistance of The Hyas Group, reviewed and ranked proposals according to the evaluation criteria included in the RFP. These criteria included firm strength,

experience and qualifications; recordkeeping, data security and custody; participant services; plan sponsor services; investment flexibility; and transition as well as fees.

After evaluating the proposals, both Empower and ICMA-RC were shortlisted to the competitive range and the SEC opened their price proposals. The SEC determined that both competitive range finalists would be considered for award and they were asked to submit a Best and Final Offer (BAFO) to clarify areas of their proposals and to revise pricing. Overall scores of the firms after BAFOs are summarized in the table below:

<i>Evaluation Criteria</i>	Possible Points	Empower	ICMA-RC
A. Firm Strengths, Experience & Qualification	100	93.3	96.3
B. Recordkeeping, Data Security & Custody	175	163.0	162.5
C. Participant Services	225	202.0	210.3
D. Plan Sponsor Services	100	83.3	95.8
E. Investment Flexibility	100	95.0	95.3
F. Transition	100	65.0	100.0
G. Fees and Expenses	200	143.0	200.0
Total Score =	1,000	844.6	960.2
Pricing		\$1,461,184	\$881,008

Accordingly, staff believes that ICMA-RC offers highly competitive administrative fees as well as the best combination of firm strength, experience and qualifications, participant services, plan sponsor services, investment flexibility, and transition of any of the proposing firms. ICMA-RC is a Washington, D.C. based not-for-profit corporation established in 1972 with over 9,700 public sector clients with 1.3 million participants and total assets under administration of over \$52 billion. Local and regional examples of ICMA-RC clients include Metro, City of Tacoma, City of Spokane, Port of Seattle; other transit clients include Santa Clara Valley Transportation Authority, BART (Bay Area Rapid Transit), and Los Angeles County Metropolitan Transit Authority.

The contract with ICMA-RC will be structured with a one-year base term, with TriMet's option for up to four (4) additional one-year extensions. Price adjustments will be permitted on an annual basis if TriMet elects to exercise the additional one-year extensions, and will be capped at the percentage difference from the prior year of the Consumer Price Index (CPI-W), for All-Urban Workers, Portland-Salem area.

The attached Resolution authorizes TriMet to contract with ICMA-RC for the Services in the amount of \$881,008 for the five-year period, which includes options. The actual amount of money to be spent during the five-year contract will be based on actual agency requirements during the contract term, and depending on staff growth, could exceed \$1,000,000.

7. **Diversity**

ICMA-RC's workforce is 60% minority and 48.9% female. The total employee count of the company is 841. ICMA-RC will perform the Services via the use of their own employees and will not use subcontractors.

8. **Financial/Budget Impact**

The Services are budgeted for in the Finance and Administration division operating budget for FY2018 and beyond.

9. **Impact if Not Approved**

The Board may elect not to approve the contract and direct staff to issue a new RFP. However, re-solicitation is not recommended because a full and open RFP process has been completed with the assistance of a consultant and the proposed contractor has been determined to offer the most favorable combination of firm strength, participant and plan sponsor services, investment flexibility and administrative fees.

RESOLUTION 18-03-26

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH THE INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT CORPORATION (ICMA-RC) FOR THIRD-PARTY ADMINISTRATION AND RECORDKEEPING SERVICES FOR TRIMET'S 401(a) DEFINED CONTRIBUTION PLANS AND 457(b) DEFERRED COMPENSATION PLAN

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with ICMA-RC for third party administration and recordkeeping services for TriMet's 401(a) Defined Contribution Plans and 457(b) Deferred Compensation Plan (Contract); and

WHEREAS, the total amount of the Contract is expected to exceed \$500,000; and

WHEREAS, the TriMet Board of Directors (Board), by Resolution dated October 25, 2017, adopted a Statement of Policies requiring the Board to authorize personal services contracts obligating TriMet to pay in excess of \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract in an amount not to exceed \$881,008.

Dated: March 28, 2018

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department