

Date: May 27, 2015

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: **RESOLUTION 15-05-20 AUTHORIZING A CONTRACT WITH PENSION CONSULTING ALLIANCE, INC. FOR PROVIDING INVESTMENT ADVISORY SERVICES FOR PENSION TRUST FUNDS**

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (“Board”) adopt a Resolution authorizing the General Manager to execute a contract with Pension Consulting Alliance Inc. (“PCA”) for investment advisory services for TriMet’s pension trust funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board approval is required for personal services contracts obligating TriMet to pay in excess of \$150,000.

4. Type of Action:

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

5. Background

TriMet contributes to two employer defined benefit public employee retirement plans: (1) The Pension Plan for Bargaining Unit Employees of TriMet (the “Union Plan”) and (2) the TriMet Defined Benefit Retirement Plan for Management and Staff Employees (the “Management Plan”). The Union Plan has a separate board of trustees, the Management Plan has an Administrative Committee, and both Plans are administered by TriMet. The TriMet Board appoints management representatives to serve as Trustees to both the Management and the Union Plans, and the Amalgamated Transit Union, Division 757 (“ATU”) appoints representatives to serve as trustees to the Union Plan. Each Plan’s assets are held in trust, independent of TriMet, solely for the purpose of paying each Plan’s benefits and administrative expenses. US Bank is the custodian for the assets of both plans.

The Union Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union Local 757 (the “Union”) hired in a union position before August 1, 2012. The Union Plan is “closed” and no employees hired after July 2012 can become eligible to receive benefits. At the present time, the Union Plan’s retirement benefit paid to Union retirees is adjusted each year by 90% of the increase in the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI) (annual average). TriMet funds the Union Plan with monthly contributions in accordance with the Pension Funding Plan adopted by the TriMet Board in 2014.

The Management Plan covers all TriMet non-union employees hired before April 2003 (except those who opted to be covered by TriMet’s Defined Contribution Plan). The Management Plan is “closed” and no employees hired after April 2003 can become eligible to receive benefits. Benefits vary based on final average salary and other factors, and are increased annually by 90% of the US Urban Wage Earners and Clerical Workers CPI.

6. Procurement Process

TriMet issued a Request for Proposals (RFP) for a new contract for these services on March 2, 2015. By the proposal due date of March 30, TriMet received 5 proposals. The selection committee (which included a representative from the ATU) reviewed and scored proposals. The results of that process are reflected in the Table below.

Criteria	Possible points	Callan Associates	Hyas Group	Milliman	NEPC	PCA
Qualifications and experience *	65	60	48	28	50	60
Price (Proposed Fee)	35	13.90	17.84	35	17.38	15.60
Total	100	73.90	65.84	63	67.38	75.60
Proposed Fee **		\$982,190	\$765,000	\$390,000	\$785,500	\$875,000

* - Qualifications and Experience included a number of sub-criterion (in addition to qualifications and experience of firm and staff), such as consulting philosophy, fund manager measurement and reporting tools.

** - Proposed fee amount shown here is for a possible five-year term. Base term of the contract is for two years.

Based on the scoring results reflected in the above Table, the committee invited PCA and Callan Associates to submit Best and Final Offers (BAFOs). Prior to submitting a BAFO, Callan Associates acknowledged that they would not be able to meet TriMet’s requirements related to professional liability insurance coverage and so withdrew their proposal. PCA reduced their proposed fee by \$25,000 over a five-year term and so, based on that revised pricing and the qualifications and experience scoring reflected above, the selection committee recommends award to PCA.

7. **Diversity**

While this contract does not have subcontracting opportunities, PCA's Portland office has workforce diversity at the following levels: Women as percent of total staff (43%); and Minority employees as percent of total staff (14%).

8. **Financial/Budget Impact**

The fees paid for these specific consulting services, are paid directly from each of the Trust funds, and as such, are not reflected in TriMet's budget. The split of the specified fees between the District and the Union, is based on total funds under management within each Trust fund, at the end of each calendar quarter.

9. **Impact if Not Approved**

If this Resolution is not approved, TriMet would need to issue a new RFP for these services. Given the competitive process which has already taken place, that is not a recommended action.

DB/LB/pc

RESOLUTION 15-05-20

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH PENSION CONSULTING ALLIANCE, INC. FOR INVESTMENT ADVISORY SERVICE FOR PENSION TRUST FUNDS

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with Pension Consulting Alliance, Inc. for investment advisory service for pension trust funds (“Contract”); and

WHEREAS, the total amount of the Contract will exceed \$150,000; and

WHEREAS, the TriMet Board of Directors (“Board”), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve personal services contracts obligating TriMet to pay in excess of \$150,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager is authorized to execute the Contract.

Dated: May 27, 2015

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department