

Date: June 22, 2016

To: Board of Directors

From: Neil McFarlane 

Subject: RESOLUTION 16-06-36 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH HYAS GROUP FOR INVESTMENT CONSULTANT SERVICES FOR DEFINED CONTRIBUTION PENSION AND DEFERRED COMPENSATION BENEFIT PLANS

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 Hyas Group for investment consultant services for defined contribution pension and deferred compensation benefit plans.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board approval is required for all 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 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 also offers all employees a deferred compensation plan, which is administered by TriMet but all

contributions to this plan are made by employees. This resolution addresses consultant services for the defined contribution plans and the deferred compensation plan, which are described below.

TriMet's Union Defined Contribution 401(a) Plan. Effective August 2012, the District adopted the TriMet Defined Contribution Retirement Plan for Union Employees (the "Union DC Plan") in accordance with IRS Code Section 401(a). Currently, a third-party administrator provides administration of the Union DC Plan and offers investment options for employees.

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 March 31, 2016, there were 830 participants in the Union DC Plan, with a total of \$6.5 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 (the "Management DC Plan") in accordance with IRS Code Section 401(a). Currently, a third-party administrator provides administration of the Management DC Plan and offers investment options for employees. 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 March 31, 2016, there were 406 participants in the Management DC Plan, with a total of \$26.9 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 March 31, 2016, there were approximately 1,780 participants in the 457 Plan, with a total of \$96.5 million of assets. Currently, a third-party administrator provides administration of the 457 Plan and offers investment options for employees.

6. Procurement Process

On April 8, 2016, TriMet issued a Request for Proposals ("RFP") for investment consultant services to assist the Plans' trustees in fulfilling their fiduciary duties with respect to the Plans. Specifically, the RFP sought firms to assist the trustees with the following responsibilities:

- Maintenance of plan investment policies;
- Monitoring of investment performance and review of investment options when investments do not meet performance standards;
- Education and training of trustees on relevant retirement and investment issues; and
- Development of an education and outreach program for employees.

In addition, the consultant will serve as co-fiduciary with the trustees for both Plans.

On May 5, TriMet received two proposals in response to the RFP. A staff evaluation committee reviewed the proposals and determined that the Hyas Group proposal was the highest ranked within qualifications and workplan criterion. Additionally, the Hyas Group price proposal was deemed to be fair and reasonable. A second proposal was deemed to be not responsive to TriMet's contractual requirements due to the extent and number of exceptions noted in the proposal and was therefore not given further consideration. The Hyas Group, who is the incumbent contractor for these services, is a specialized consulting firm exclusively focused on governmental, corporate, and non-profit retirement plans similar to those offered by TriMet, and the team assigned to TriMet has extensive experience with other public sector plans.

The term of the proposed contract is three (3) years, with TriMet's option to extend for two (2) additional one-year periods. The total contract price during the contract period (including option years if exercised) is estimated to be \$261,000.

7. Diversity

While the Hyas Group is a small firm, more than one third of the firm's employees are women or minorities.

8. Financial/Budget Impact

The annual costs for these services are budgeted within the Finance and Administration operating budget. A portion of the cost is allocated to and paid by revenues from 457 Plan fees.

9. Impact if Not Approved

The Board has the option to adopt this Resolution or direct preparation of a new solicitation. Re-solicitation is not recommended, because Hyas Group is deemed to be a highly qualified firm and its price proposal has been determined to be fair and reasonable.

DB/LB/pc

RESOLUTION 16-06-36

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH HYAS GROUP FOR INVESTMENT CONSULTANT SERVICES FOR DEFINED CONTRIBUTION PENSION AND DEFERRED COMPENSATION BENEFIT PLANS

WHEREAS, TriMet has authority under ORS 267.200 to enter into a two-year contract with two additional one-year options with Hyas Group for Investment Consultant Services for Defined Contribution Pension and Deferred Compensation Benefit Plans (“Contract”); and

WHEREAS, the total amount of the Contract shall 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 or his designee is authorized to execute the Contract.

Dated: June 22, 2016

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department