

BEFORE THE METRO CONTRACT REVIEW BOARD

FOR THE PURPOSE OF WAIVING AND)	RESOLUTION NO. 94-1963
POSTPONING A COMPETITIVE RFP PROCESS)	
AND EXTENDING METRO CONTRACT)	Introduced by Rena Cusma
NO. 902675 WITH HOWARD JOHNSON &)	Executive Officer
COMPANY AND RAINIER TRUST FOR)	
ADMINISTRATIVE RECORD KEEPING AND)	
TRUST SERVICES FOR THE METRO)	
EMPLOYEE SALARY SAVINGS PLAN)	

WHEREAS, Section 2.04.054 of the Metro Code provides that "A Personal Services contract may be renewed without receiving competitive proposals if the contractor is performing a continuing activity for the agency..." and that "competitive proposals must be solicited for these services at least once every three (3) years..."; and

WHEREAS, Metro established a personal services agreement with WM Trust Company and Benefit Service Corporation to provide administrative record keeping services and Trust Services for the Metro Employee Salary Savings Plan effective August 1, 1992 through June 30, 1994 but due to the complexity of the arrangements, the agreement was not fully executed until December 4, 1992; and

WHEREAS, WM Trust Company notified Metro in the Summer of 1993 that it wished to go out of business, Howard Johnson began its transition as administrator in September, 1993 and in February, 1994 Metro allowed an assignment of the contract to Howard Johnson & Company; and

WHEREAS, with the complexities of establishing those services and the transition that was necessitated, the Personnel Department has had little time to establish an operating relationship with those companies or even firmly set the exact parameters for the program; and

WHEREAS, Section 2.04.054(a)(3) allows the Metro Council acting as Contract Review Board to exempt contract extensions exceeding \$10,000 from competitive procurement procedures; and

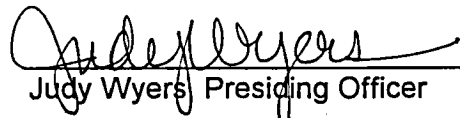
WHEREAS, the three (3) year limit would not actually occur until the end of calendar year 1995, and a one year extension of the contract until June 30, 1995 would allow Personnel to fully determine the exact needs and service realities of the program prior to soliciting a competitive request for proposals; now, therefore,

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BE IT RESOLVED,

That the Metro Contract Review Board hereby postpones a competitive RFP process for administrative record keeping, and trust services for the Metro Employee Salary Savings Plan, approves instead an extension of Metro Contract No. 902675 with WM Trust Company and Benefit Service Corporation assumed by Howard Johnson & Company and Rainier Trust, and authorizes the Executive Officer to execute an extension of that contact for an additional one year period ending June 30, 1995 in accordance with Exhibit A attached

ADOPTED by the Contract Review Board this 28th day of July 1994.



Judy Wyers, Presiding Officer

CHANGE ORDER SUMMARY

CHANGE ORDER NO: 2 INITIATION DATE: 5/16/94
 CONTRACT NO: 902675 PROJECT: Administrative Record Keeping
 CONTRACTOR: Howard Johnson & Company and Rainier Trust VENDOR #
 PROPOSED BY: Jaye Fraser/Benefits Officer
 PROJECT MANAGER/DEPARTMENT

FINANCIAL IMPACT

BUDGET CODE/TITLE: 610-090000-512300

Original Contract Sum:	\$ 37,000
Net Change Orders to Date:	\$ - 0 -
Contract Sum Prior to this C/O:	\$ 37,000
This Change Order Request:	\$ 38,000
New Contract Sum, Post C/O:	\$ 75,000
Fiscal Year <u> </u> - <u> </u>	
Appropriation	\$ 38,000
Contract, Paid to Date:	\$ 38,000
Est. Appropriation Remaining:	\$ 38,000

EFFECTIVE DATE(S): December 4, 1994 - June 30, 1995

REVIEW & APPROVAL:

 DIVISION MANAGER DATE

 FISCAL DATE

 DEPARTMENT DIRECTOR DATE

 BUDGET (MULTI-YEAR ONLY) DATE

 DIRECTOR GENERAL SERVICES DATE

 LEGAL DATE

Amendment No. 2
Metro Contract No. 902675

This is an amendment to contract no. 902675, originally established December 2, 1992, by and between Metro, a metropolitan service district, and WM Trust Company and Benefit Service Corporation (hereinafter referred to as "Contractor") which was amended February 10, 1994 to assign the original contractor's responsibilities to Howard Johnson & Company and Rainier Trust Company, (hereinafter referred to as "Contractor").

Effective July 1, 1994, the above contract shall be amended to extend the contract through June 30, 1995 at the original fees established, and in view of the extension specified above, the original contract amount payable to Rainier Trust and Howard Johnson & Company shall now not exceed \$75,000 in total, unless otherwise agreed by the parties.

All other terms and conditions in the original contract shall remain unchanged and in full force and effect.

In Witness to the above, the following duly authorized representatives of the parties execute this Amended Agreement.

METRO

RAINIER TRUST COMPANY

By _____

By _____

Name/Title

Name/Title

Date

Date

HOWARD JOHNSON & COMPANY

By _____

Name/Title

Date

STAFF REPORT

RESOLUTION NO. 94-1963, FOR THE PURPOSE OF WAIVING AND POSTPONING A COMPETITIVE RFP PROCESS AND EXTENDING METRO CONTRACT NO 902675 WITH HOWARD JOHNSON & COMPANY AND RAINIER TRUST FOR ADMINISTRATIVE RECORD KEEPING AND TRUST SERVICES FOR THE METRO EMPLOYEE SALARY SAVINGS PLAN

Date: May 16, 1994

Presented by: Jaye Fraser
Paula Paris

PROPOSED ACTION

Adoption of Resolution No. 94-1963, pursuant to Section 2.04.054, which allows personal services contracts to be renewed "without receiving competitive proposals if the contract is performing a continuing activity for the agency" we request that the Council approve a one year extension to contract no. 902675.

FACTUAL BACKGROUND AND ANALYSIS

Prior to its participation in PERS, Metro sponsored a variety of retirement programs for its employees. Today, Metro continues to provide record keeping, administrative and trust services for several of those programs as well as a newer 401(k) plan which is employee funded. The history of these various plans is complicated significantly by the number of entities which have come together to form what we now know as "Metro."

In September, 1991, the Metro Council passed a resolution which merged the administration and trust responsibilities for the 5% and 6% plans. The 5% plan was transferred from the Principal Group to Western Retirement Trust. Then, due to a name change, the Council passed an additional resolution in early 1992, appointing WM Trust as the non-discretionary Plan Trustee and authorizing the Executive Officer to appoint a five-person advisory committee to administer the plan. The committee met several times with a representative from WM Trust to discuss the merger's progress and to develop a program allowing participants to self-direct their funds.

After much negotiation, Metro and WM Trust Company finally executed a contract for administrative record keeping and trust responsibilities in December, 1992. Within less than a year, WM Trust Company announced that it would exit the business of Qualified Plan Administrator and would sell its Trust Company, leaving Metro in the untenable situation of being without a provider in this very sensitive area. Metro's advisory committee reviewed proposals and conducted interviews with several record keeping companies. Ultimately, the advisory committee settled on Howard Johnson and Company to fulfill the record keeping duties abandoned by WM Trust Company, and the contractual trust duties were assumed by Rainier Trust Company as WM Trust Company's successor in interest. Except for a skeleton crew, (left to complete the transition of their customers to other record keeping and administrative companies) WM Trust Company's record keeping division completely shut down in September, 1993.

The actual transition of information from WM Benefits to Howard Johnson continued into December 1993 and actual account reconciliation did not occur until January when information

finally came to Howard Johnson in boxes instead of computer tapes or disks. Despite the difficulties with the reconciliation, Howard Johnson was able to implement a phone transaction system which allowed participants to complete most transactions by telephone.

There were a few minor bugs, but by Spring, 1994 most were worked out. We now have electronic links between Metro and both Howard Johnson and Rainier Trust, and Howard Johnson is working to add an electronic link between their companies to speed information transfer.

In addition, we have new readable and understandable statements from Howard Johnson which have resulted in the discovery of a few stock transactions which should have been but weren't made last summer. In response, Rainier Trust has also stepped up to the bat and is working toward reconciling those individual participant situations. Finally, Howard Johnson and Rainier Trust have both attended several employee meetings to assist in the transition and further educate Metro employees on investment practices.

A review of the record keeping and trust files from the past several years documents a number of on-going program problems. Things have never been quite right, or as promised. Frustrations over incomplete phone transactions pepper the files. And finally, problems continue to emerge (although their frequency is significantly less than the past).

Continuation of the contractual arrangements between Metro and the current providers will enable Personnel sufficient time to adequately assess the plan's status, ensure all program bugs are resolved and to determine whether the original plan design continues to be appropriate for Metro.

BUDGET IMPACT

The services provided by WM Trust Company were anticipated to have been \$38,000 and were so budgeted for the 1993/94 fiscal year. It is now anticipated that the continuation of these services by Howard Johnson and Rainier Trust may require a future budget amendment to provide additional funding as necessary.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 94-1963.

GOVERNMENTAL AFFAIRS COMMITTEE REPORT

RESOLUTION NO. 94-1963, WAIVING AND POSTPONING A COMPETITIVE RFP PROCESS AND EXTENDING METRO CONTRACT NO. 902675 WITH HOWARD JOHNSON & COMPANY AND RAINIER TRUST FOR ADMINISTRATIVE RECORD KEEPING AND TRUST SERVICES FOR THE METRO EMPLOYEE SALARY SAVINGS PLAN

Date: July 14, 1994

Presented by: Councilor Gates

COMMITTEE RECOMMENDATION: At its July 13, 1994 meeting the Governmental Affairs Committee voted 4-0 to recommend Contract Review Board adoption of Resolution No. 94-1963. Voting in favor were Councilors Gates, Buchanan, McFarland, and Van Bergen. Councilor Wyers was absent.

COMMITTEE DISCUSSION/ISSUES: Personnel Director Paula Paris explained that this resolution had been returned to committee at the June 23 Council meeting at the request of Councilor Van Bergen, who wanted the Committee to hear additional information on the issues. Senior Assistant Counsel Mark Williams discussed the history of this contract's assignment from the former provider, WM Benefits. He said WM Benefits notified Metro in 1992 that it was going out of business, and Metro conducted a brief search to find a replacement contractor. Of the five firms who expressed an interest, all but Howard Johnson said they would have to charge significantly more for the services than Metro was currently paying. Howard Johnson said they would continue at the same rate, which Mr. Williams explained they could do because they had an agreement with WM Benefits to take over their services nationwide, for which WM Benefits paid them a certain amount. Metro selected Howard Johnson through an emergency contract signed by the Executive Officer, as authorized by the Code.

Councilor Van Bergen asked if there is federal oversight of such operations. Mr. Williams said there are tax laws governing such retirement plans, but no federal oversight agency. Councilor Van Bergen asked how long Metro had contracted with WM Benefits and its predecessors. Mr. Williams said the original agreement was in 1981; it was not formally renewed but Metro continued to do business with them. Ms. Paris added that she discovered several irregularities in this arrangement when she was hired, and took immediate action to conduct a contracting process and enter into a formal contract. Councilor Van Bergen and Mr. Williams discussed the split between the trust management and the benefits administration parts of the contract. Mr. Williams said the benefits administration cost had been low because it had been subsidized by the trust management operation under the former provider (WM Benefits). Councilor Van Bergen said his other concern with this contract is its management by a committee composed primarily of department heads. Ms. Paris said she discussed that with the Executive Office, and the composition of

the management committee has been changed. The committee will now be composed of Ms. Paris, Employee Benefits Officer Jaye Fraser, Council Analyst Casey Short, Civic Stadium Manager Candy Cavanagh, and Financial Planning Manager Craig Prosser.

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Date: June 15, 1994

Presented by: Councilor Van Bergen

COMMITTEE RECOMMENDATION: At its June 14, 1994 meeting the Governmental Affairs Committee voted 3-0 to recommend Contract Review Board adoption of Resolution No. 94-1963. Voting in favor were Councilors Gates, Van Bergen, and Wyers. Councilor Buchanan abstained.

COMMITTEE DISCUSSION/ISSUES: Personnel Manager Paula Paris introduced Jaye Fraser, who presented the staff report. In addition to reviewing the written staff report, Ms. Fraser said potential additional costs above the \$38,000 budgeted for this contract should not exceed \$3,000, and added that implementation of potential cost savings could eliminate the need to increase the amount of the contract.

Councilor Van Bergen expressed concern that the advisory committee included neither a representative of Council staff nor of represented employees. He said he was also concerned about the on-again, off-again nature of the plan administration, to which Ms. Fraser replied that the current administrator is doing a good job. Councilor Van Bergen asked if \$38,000 was enough money for management of \$8 million in the funds, and Councilor Gates asked why the Howard Johnson company was providing this service at such a low price. Ms. Paris said the amount is low in comparison with other programs, but Howard Johnson was able to take over the contract from the prior administrator at the existing cost because they already had the same system in place.

The committee discussed some of the irregularities in processing transactions that had occurred under the previous plan administrators; Ms. Paris said she notified legal counsel as soon as irregularities were discovered, and the problems were resolved. Councilor Van Bergen said he wanted to hear from counsel on their involvement in this matter, and also wanted to see that the advisory committee membership include representation from employees outside of senior administration.