

MINUTES
MEETING OF THE BOARD OF DIRECTORS
BUSINESS MANAGEMENT COMMITTEE
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
August 27, 2015

The Board of Directors Business Management Committee met on August 27, 2015 at 11:28 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Roberta Abdul-Salaam
Harold Buckley, Sr.
Robert F. Dallas
Frederick L. Daniels, Jr., *Chair*
Roderick E. Edmond
Freda B. Hardage
Russell McMurry*

MARTA officials in attendance were: General Manager/CEO Keith T. Parker; Chief Operating Officer Richard A. Krisak; Chief Financial Officer Gordon L. Hutchinson; Chief Administrative Officer Edward L. Johnson; Chief of Staff Rukiya S. Thomas; Chief Counsel Elizabeth O'Neill; AGMs Wanda Dunham, Robin Henry, Ming Hsi, Reginald Mason, Ryland McClendon, David Springstead (Interim) and Donald Williams (Acting); Executive Director Ferdinand Risco; Sr. Directors LaShanda Dawkins and Amanda Rhein; Directors Farouk Baksh, Johnathan Hunt and Connie Krisak; Executive Manager to the Board Rebbie Ellisor-Taylor; Manager of Executive Office Administration Tyrene L. Huff; Finance Administrative Analyst Tracy Kincaid. Others in attendance Davis Allen, Cynthia Andrews, Denise Coleman, Andrea Giles, Abebe Girmay, Nicolas Gowens, Courtne Middlebrooks, Terry Ponder, Srinath Remala.

Also Jack Buckingham of MATC; John Crocker of JTC; Pete Caney and Barclay Fuss of Mass Mutual; Ed Emerson of Morris, Manning & Martin; Bob Hubbard and Kurt Lofters of Gray & Company; Jim Schmid of HNTB.

* Russell McMurry is Commissioner, Georgia Department of Transportation (GDOT) and is therefore a non-voting member of the MARTA Board of Directors.

Consent Agenda

- a) Approval of the May 28, 2015 Business Management Committee Meeting Minutes

On motion by Dr. Edmond seconded by Mrs. Hardage, the Consent Agenda was approved by a vote of 5 to 0, with 7* members present.

Mr. Dallas abstained.

Individual Agenda

Resolution Authorizing the Consolidation of the CISCO Contracts and Maintenance Support Agreements Utilizing the CISCO State of Georgia Contract, RFP P36322

Mr. Baksh presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to award a contract to a State of Georgia Authorized Cisco Partner Supplier, to consolidate hardware/software maintenance and support agreements in the amount of \$3,000,000.00.

Dr. Edmond asked how many companies provide these services.

Mr. Baksh said there are approximately 20 Cisco certified resellers.

Mr. Risco said of those resellers two (2) are DBE firms as well as multiple small and women-owned businesses.

Dr. Edmond asked who decides which firms will be used.

Mr. Parker said MARTA does.

Mrs. Adbul-Salaam asked why is this needed now.

Mr. Baksh said some components have reached the end of their life cycle; additionally, this is proactive support for the Authority.

On motion by Mr. Buckley seconded by Mrs. Hardage, the resolution was unanimously approved by a vote of 6 to 0, with 7* members present.

Briefing – Overview of MARTA’s Retirement Plans and Recommendation for Modification

Mrs. Henry and Mr. Emerson provided the Committee an overview of the Authority's Retirement Plans and recommendations for modifications.

Program Overview

- Four Plan Offerings:
 - Defined Benefit Plan-Represented
 - Defined Benefit Plan-Non-Represented
 - Defined Contribution Plan-Non-Represented
 - Deferred Compensation Plans

Defined Benefit Plan -Represented

- 100% vested with 10 years of service
- Employee contributes 4.41% of bi-weekly gross salary (caps at 2300 hrs. annually)
- MARTA contributes 8.09% of gross union payroll
- Current Plan Participants: 2,780
- Current Plan Assets: \$533,441,552.39
- Plan Funding Level: 110% (next Actuarial Study may reflect decrease)
- Third Party Administrator: Zenith American Solutions
- Investment Consultant: Gray & Company
- Pension Attorney: Ed Emerson, Esq.
- Governance by Committee:
 - Three (3) Management Members
 - Chief Financial Officer (CFO)
 - Chief Administrative Officer (CAO)
 - Director of Labor Relations
 - Three (3) Union Members
 - President

- Treasurer/Secretary
- Vice President

Defined Benefit Plan – Non-Represented

- 100% vested with 10 years of service
- Plan closed December 31, 2004
- Employee contributes 6.0% of bi-weekly gross salary
- MARTA contribution: 42.3%
- DB Plan Funding Level: 75%
- Current Plan Participants: 794
- Current Plan Assets: \$370,781,894
- Plan Consultants: Callan Associates
- Pension Attorney: Ed Emerson, Esq.
- Committee Members:
 - Four Management Members
 - CFO
 - Chief Legal Counsel
 - Chief Administrative Officer (CAO)
 - Assistant General Manager (AGM), Police & Emergency Management
 - One Board Member
 - Two Retiree Representatives

Defined Contribution Plan – Non-Represented

- Implemented January 1, 2005, for non-represented, non-police employees
- Police Officers hired on or after January 1, 2015 now participate in the DC Plan
- MARTA Contribution Rate: 3%
- Employee Contribution Rate: 6%
- Current Plan Participants: 734

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- **Current Plan Assets: \$19,769,320**
- **Plan Consultants: Gray & Company**
- **Pension Attorney: Ed Emerson, Esq.**
- **Committee Members:**
 - **Five Management Members**
 - **CAO**
 - **AGM, Human Resources**
 - **Sr. Director, Treasury**
 - **AGM, Communication and External Affairs**
 - **AGM, Audit**
 - **One Board Member**

Deferred Compensation Plans

- **Type of Plan: 457 A**
- **Traditional/Roth IRA**
- **Pre-tax contributions**
- **All employees are eligible to participate**
- **Current Plan Participants: 2,798**
- **Vendors: Nationwide Retirement Solutions and Mass Mutual**

DC Plan Proposed Changes

- **Purpose:**
 - **Enhancements are proposed to the DC Plan, designed to make the Plan and contribution rates more competitive in the market place and with other governmental defined contribution plans in Georgia**
- **Purposed Plan Design**
 - **Proposed Employer Rate from 3% to 6%**
 - **Proposed Employee Rate remains at 6%**
- **Fiscal Impact**
 - **Key Facts and Assumptions for Authority change to 6%**

- The contribution cost to the Authority in calendar year 2014 for the DC Plan was \$1.2M
 - Annual Cost Increase Estimate: \$1.4M - \$1.6M
 - The assumptions are derived from base salaries and do not consider the sale of PTO, paid sick leave, or overtime pay, which are included in the DC Plan definition of compensation
- **Benefits to Employer**
 - Makes the DC Plan more competitive in the marketplace
 - Aligns with organizational goal of becoming an "Employer of Choice"
 - Serves as a Talent acquisition and Retention tool
 - **Benefits to Employee**
 - Employees would have an additional tax break
 - Employees would have increased savings towards their retirement
 - **Implementation Schedule**
 - October 1, 2015 (proposed effective date)

Gray & Company Update

- **Represented Plan Discretionary Investment Advisor**
- **All Cap Managers of Managers Portfolio**
 - \$48,771,000 (9.1 % of Plan assets)
- **Small Cap Managers of Managers Portfolio**
 - \$65,729,000 (12.3% of Plan assets)
- **GrayCo Alternative Partners II Fund**
 - \$14,761,000 (2.8% of Plan assets)
- **In May 2015, SEC issued an order alleging fraud charges against Gray Financial Group (and Larry Gray and Bob Hubbard) ("Gray") and instituting an administrative proceeding**
- **SEC order alleges Gray breached their fiduciary duty to public plan clients by recommending investment in its GrayCo Alternative Partners II Fund despite knowing the investment did not comply with state law requirements for alternative investments for public plans**

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- In August, Federal court found SEC administrative proceedings unconstitutional and entered injunction from the proceedings
- SEC will likely appeal to decision 11th Circuit
- SEC's case against Gray could easily be on hold for 6 months or more for the appeal on the constitutionality of the SEC's administrative procedures
- Federal case and appeal has nothing to do with the merits of the charges against Gray
- Represented Plan Committee discussions
- Defined Contribution Plan (Non-Represented) Committee discussions and RFP

Mr. Daniels asked about Gray & Company's performance numbers.

Mr. Emerson said the information will be provided to the Board.

Mr. Daniels asked what defines compensation.

Mr. Johnson said staff will come back to the Board with a revised definition of compensation.

Dr. Edmond asked if the Gray & Co. update is for information only.

Mr. Emerson said yes, the DC/DB Committees make decisions.

Mr. Daniels asked if Gray & Co. is in full compliance.

Mr. Emerson said yes, to his understanding.

Dr. Edmond asked if performance goes down can employees say MARTA did not inform them.

Mr. Emerson said for employees to have a claim against MARTA they would have to show a breach. As long as the Committee goes through the prudent process liability is slim.

Mr. Daniels asked if it has been documented.

Mr. Emerson said yes.

Mr. Parker added that committee members maintain autonomy.

Dr. Edmond asked if that insulates the Board.

Mr. Emerson said the Board is doing its diligence by having these meetings.

Dr. Edmond said if employees can claim breach of fiduciary duty, it is the Board's duty to notify participants. He requested an opinion from Legal on what the Board needs to do.

Mr. Daniels asked if participants are provided with an annual disclosure statement.

Mrs. O'Neill said yes; additionally, meeting minutes will reflect it and provide the insulation mentioned.

Dr. Edmond asked staff to provide a written legal opinion.

Resolution Authorizing the Second Amendment to the MARTA Non-Represented Defined Contribution Plan

Mrs. Henry presented this resolution authorizing the Second Amendment to the MARTA Non-Represented Defined Contribution Plan, increasing the employer contribution MARTA will contribute to the Plan on behalf of each Participant from 3% of compensation to 6% of compensation, effective the first full payroll period beginning on or after October 1, 2015.

On motion by Dr. Edmond seconded by Mrs. Hardage, the resolution was unanimously approved by a vote of 5 to 0, with 6* members present.

On motion by Mrs. Hardage seconded by Dr. Edmond, the Committee unanimously agreed to go into Executive Session at 12:26 p.m. to discuss a real estate matter.

On motion by Mrs. Hardage seconded by Mr. Buckley, the Committee unanimously agreed to adjourn the Executive Session at 1:07 p.m.

Authorization to Enter into Contract Negotiations for the Development of Parcel D3103 at Chamblee Station, RFP P35088

Ms. Rhein presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to enter into contract negotiations with Trackside Partners, LLC for the development of MARTA's Parcel 03103 at Chamblee Station.

On motion by Mrs. Hardage seconded by Mr. Buckley, the resolution was unanimously approved by a vote of 3 to 0, with 4* members present.

Authorization to Enter into Negotiations for the Development of Parcel D3116 at Brookhaven/Oglethorpe University Station RFP P31778-A

Ms. Rhein presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to enter into negotiations with Brookhaven City Center Partners for the development of Parcel 03116 at the Brookhaven/Oglethorpe University Station RFP P31778-A.

On motion by Mr. Buckley seconded by Mrs. Hardage, the resolution was unanimously approved by a vote of 3 to 0, with 4* members present.

Adjournment

The meeting of the Business Management Committee adjourned at 1:11 p.m.