



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting April 28, 2026

DATE : April 6, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Kecia Reichstein, Director, HR Total Rewards
Katie Gerard, Sr. Director, Human Resources

SUBJECT: Contract to Provide Record Keeping, Investing, Reporting and Educational Services to the Port's 457 and 401(a) Deferred Compensation Plan participants

Amount of this request: \$3,477,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a contract to provide record keeping, investing, reporting and education services for the Port's 457 and 401(a) deferred compensation plans. The contract will be a five-year contract with the option to extend, up to a 5-year additional extension. The value of the contract is estimated at \$3.47 million.

EXECUTIVE SUMMARY

The Port of Seattle offers deferred compensation plans as an important element of the Total Rewards package. These plans contribute to the Port's ability to attract and retain employees with the skills and abilities essential to achieving the Port's mission and goals. The Port's deferred compensation plans include a 457 deferred compensation plan that all regular employees may participate in to set aside pre-tax and Roth funds for retirement. In addition the Port has three 401(a) plans, one that holds the limited matching contributions the Port makes to the non-represented employees' 457 plan contributions, one for sworn Police personnel that holds the Port's contributions that are made in lieu of contributions to Social Security, and one for Firefighters that also holds the Port's contributions that are in lieu of contributions to Social Security. The plans are in addition to the State and union trust pension plans that Port employees participate in.

We are requesting authorization for the Executive Director to execute a five-year contract with the option to extend for up to five additional years based on negotiated rates for the second five years and a maximum contract value of \$3.47 million. Plan participants will pay an estimated 62.5% of these fees, or \$2.8 million over the course of the 10-year contract. It is estimated the Port will pay \$1.3 million over the course of the 10-year contract.

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JUSTIFICATION

The Port contracts with a vendor to provide record keeping services as well as reporting, investing, and education services associated with these plans. The current contract, which expires in March 2027 is a flat rate contract. The current contracted fees is \$60 per participant per year. Most fees are paid by plan participants (employees and retirees with account balances), but the Port is responsible for fees associated with the non-represented employees matching 401(a) plan accounts and other costs associated with implementation and administration of the plan.

DETAILS

The Port of Seattle has offered a 457 Deferred Compensation plan since 1975. This plan is available to nearly all Port employees. The 457 plan is a supplemental retirement savings plan and is in addition to the pension plans administered by the State Department of Retirement Systems or union trusts that employees participate in. The 457 plan provides a retirement savings opportunity for employees to supplement their Port pension and any other retirement or pension benefits they may receive when they retire.

In 2000, the Port implemented a 401(a) Supplemental Savings Plan for non-represented employees that provides limited Port matching contributions (\$1000 to \$2200 based on Port service) to employees' 457 plan contributions. This plan supports employees saving for their retirement with the matching contributions and recognizes employee service by increasing the Port's contribution as employee's length of service increases.

In 2002, 401(a) plans were negotiated to receive Port contributions in lieu of Social Security for Uniformed Services employees, Police Officers and Firefighters, who do not participate in Social Security. The 401(a) plans are incorporated into these employees' collective bargaining agreements.

These 401(a) plans are also supplemental retirement savings vehicles and are in addition to the Department of Retirement Systems (DRS) and union trust pension plans that most employees participate in.

The contract with the current vendor will expire in early March, 2027. If a new vendor is selected through the competitive procurement process there will be significant work required to transfer data and funds to the new vendor and the timing of the transfer will need to be communicated well in advance to plan participants as there will be a period of time when investment changes cannot be made. Interfaces that permit electronic transmittal of data and funds from the Port to the vendor will need to be updated to reflect a new vendor's record keeping system. To provide sufficient time to transition to a new vendor, if one is selected, we initiate Request for Proposal activities by the end of May 2026.

The transition to a new deferred compensation plan vendor, or any benefit plan administrator,

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requires Port systems and process to be updated to reflect the new vendor's way of doing business. The change will impact Port employees who interact with the vendor to administer the plan, as well as all employees, and former employees, who have deferred compensation account balances. These changes require time not only for the transition of data and funds, but also for staff administering the plan to understand all the different ways of working with a new vendor but also for plan participants to set up new online accounts and understand how to access information about their accounts and who to contact when they need assistance. Because these transitions typically take two and a half to three years to be fully worked through we are requesting authorization for a five-year contract with the option to extend, following fee negotiations, for up to five additional years.

Scope of Work

The vendor contract currently in place provides a variety of services related to these plans.

1. Record keeping is a significant portion of the service the vendor provides. The vendor tracks employee and Port contributions, employees' investment earnings, and disbursements from the plan when employees retire and begin withdrawing their savings. Employees select how to invest their plan contributions from a variety of available investment options. The vendor maintains a record of plan participants' investment options and also executes changes to employees' investment choices by moving funds at employees' request.
2. The vendor provides reporting on plan participants' account balances. Plan participants can access their account online at any time to view balances and investments and to conduct investment transactions. Account statements are produced on a quarterly basis showing contributions, investments, investment earnings, plan fees, account distributions, and changes in how funds are invested. The quarterly reports also show participants the rate of return on their account.
3. The vendor provides online and ad hoc reports to the Administrative Committee that oversees the plan showing overall contributions and disbursements, total plan balances, the number of plan participants, how employees are electing to invest their funds and other information useful to the Committee to ensure the plan is providing value to participants.
4. The vendor provides onsite education services to plan participants to help them understand the plan and optimize their savings through the plan. These services are provided through periodic group information sessions on a wide range of retirement savings topics, individual consultations with a Retirement Plan Specialist, and individual sessions with a Certified Financial Planner. Education services are also available online, through virtual appointments, and by using the vendor's mobile app.

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5. The vendor provides various other administrative support services to the plan including processing loans available through the plan, administering the Hardship Withdrawal process, distribution services when plan participants are ready to begin withdrawing their account balances, and required tax forms when participants withdraw funds from their account.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – The Port could opt to discontinue the deferred compensation plans and require all accounts be liquidated.

Cost Implications: There would be some costs associated with closing the down the plans that may include outside education services and communications.

Pros:

- (1) This will eliminate the need for competitive procurement every 5 to 10 years.

Cons:

- (1) This would eliminate a valued element of the Port’s Total Rewards Package the diminish the value of the Port’s overall benefit offerings. Over 2,000 employees participate in one or multiple Deferred Compensation Plans. This could jeopardize the Port’s ability to attract and retain employees.
- (2) This may not be possible without collective bargaining as many collective bargaining agreements list the 457 plan amount the offered benefits to their represented employees. Additionally, both the Policy and Fire 401(a) plans are part of the respective departments’ collective bargaining agreements.
- (3) Port employees both active and retired would be burdened to find alternative tax-deferred plans and initiate balance transfers or be subject to tax penalties for balance liquidation.

This is not the recommended alternative.

Alternative 2 – The Port could move to administer the Deferred Compensation plans in-house rather than with a third party administrator.

Cost Implications: The costs associated with this plan would be in technology and development and additional FTE.

Pros:

- (1) This will eliminate the need for competitive procurement every 5 to 10 years.
- (2) After initial high costs for implementation, the costs may remain lower.

Cons:

- (1) This is not a recommended best practice. It is most recommended to administer through a reliable and specialized vendor.

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- (2) Administering the plan could expose the Port to potential liability associated with record keeping and investment errors. Vendors would absorb these costs if the rare situations that may occur.
- (3) Additional staff would need to be hired that have the knowledge and experience to perform the same duties as a specialized vendor. It would be anticipated that some education services would need to be outsourced and that would add additional costs.
- (4) The Port does not have a system or software that is needed and would have to invest in a robust record keeping system for tracking contributions, investments and performing the necessary reporting. This is estimated to be a very high up front fee.

This is not the recommended alternative.

Alternative 3 – The Port could join the Washington State Deferred Compensation Plan in lieu of administering the unique Port of Seattle plans.

Cost Implications: The State plan administrative fees are not flat rate and are a percent of assets. The costs of the first 5-years would be similar to a flat rate contract, but would increase as account assets grew.

Pros:

- (1) The State administers a well run 457 deferred compensation plan.
- (2) Many other public agencies in Washington participate in the State Deferred Compensation Plan so this could make retirement account transition easier for employees that come to the Port of Seattle from those employers.

Cons:

- (1) The State does not offer the loan provision like the Port.
- (2) The State has many centralized resources, but does not offer the onsite and/or Port specific education services.
- (3) The State does not offer all the of the Secure Act 2.0 catch-up categories only the 50+.
- (4) The Deferred Compensation Committee would not be local to the Port and employees would not be represented by colleagues when plan or investment options are being considered.
- (5) The State only offers the 457 Plan so separate record keeping strategy and administrator would need to considered for the 401(a) plans.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

Expense

Total

	Expense	Total
AUTHORIZATION		
Previous authorizations 3/22/2016	\$4,250,000	\$3,000,000
Current request for authorization	\$3,477,000	\$3,477,000
Total authorizations, including this request	\$7,727,000	\$6,477,000
Remaining amount to be authorized	\$0	\$0

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Annual Budget Status and Source of Funds

The Port paid fees associated with this contract are included in the Port's benefits budget each year. They are incorporated into the total budgeted amount and then allocated to departments along with other benefits items such as life insurance premium costs, disability insurance costs, and medical and dental plan costs.

ATTACHMENTS TO THIS REQUEST

No attachments.