



● **Board of Directors**
Legal and Claims Committee

3/9/2021 Board Meeting

7-2

Subject

Authorize an increase of \$100,000, to an amount not-to-exceed \$400,000, for a contract for legal services with Hanson Bridgett LLP to provide legal advice on deferred compensation plans, other employee benefits, taxes, and CalPERS matters; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The General Counsel entered into a contract with the law firm of Hanson Bridgett LLP (Hanson Bridgett), as special counsel, on November 1, 2017, for the amount of \$100,000 to provide Metropolitan with legal, tax, and benefits advice on Metropolitan's deferred compensation plans and other employee benefits. The firm has specialized expertise and has assisted Metropolitan in the revision of its deferred compensation program and advised on related tax issues. The Board authorized contract increases in 2018 and 2020, bringing the current not-to-exceed amount to \$300,000. The firm's assistance will be required going forward to assist with legally required changes to the plans, and review of various procedures relating to deferred compensation and other benefits. Staff's experience is that the workload remains constant, and the cost incurred is approximately \$100,000 per year.

Detailed Report

The General Counsel entered into a contract with the law firm of Hanson Bridgett LLP (Hanson Bridgett), as special counsel, on November 1, 2017, for the amount of \$100,000 to provide Metropolitan with legal, tax, and benefits advice on Metropolitan's deferred compensation plans and other employee benefits. Because it is an area of specialized expertise, Metropolitan has regularly retained special counsel for its deferred compensation plans. Hanson Bridgett has expertise and experience in public agency deferred compensation programs. The firm also has expertise in and provides advice on other tax, employee benefits, and CalPERS matters. The firm also provides Metropolitan with current legislative and regulatory guidance on new laws, IRS rules, and U.S. Treasury regulations.

In 2018, Metropolitan selected a new recordkeeper and amended its deferred compensation plans. Hanson Bridgett assisted in these efforts, including review of recordkeeper-related agreements and the incorporation of numerous changes to the plans requested by the participants.

In 2019, Metropolitan further updated its deferred compensation plans to expand plan features for participants and streamline plan administration. Hanson Bridgett assisted in these efforts and advised on several issues such as de minimis account forfeitures, plan rollovers, and deferral contributions. The firm also assisted with the development of a managed account services agreement to offer on-line and personal account management advice to plan participants.

In 2020, Metropolitan enhanced its plan operations to make plan features more convenient for participants. Hanson Bridgett assisted in these efforts and advised on many topics such as automated loan payments, electronic signatures on plan forms, and unified beneficiary designation rules and procedures. The firm also advised Metropolitan on the incorporation of COVID-19 loan and hardship distribution rules for qualified participants.

In September 2018 and March 2020, the Board authorized increases of \$100,000 for a current not-to-exceed amount of \$300,000. New federal legislation will require additional changes to the plan relating to the age for required minimum distributions, death distribution caps, birth and adoption distributions, the 457(b) in-service distribution age limit, and extending COVID-19 loan and hardship relief. These measures will require plan amendments not originally anticipated, and more retirement plan legislation is expected to pass later this year.

Staff requests authority to increase the maximum amount payable pursuant to this contract by \$100,000 to an amount not-to-exceed \$400,000 so that Hanson Bridgett can continue to assist Metropolitan with its deferred compensation plan and related legal services.

While the rate of expenditure is dependent upon the need for expert assistance, it is anticipated that the proposed increase will be adequate for up to one additional year

Policy

Metropolitan Water District Administrative Code Section 6430: General Counsel's special counsel authority

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). Finally, it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, therefore the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Counsel to increase the amount payable under its contract with Hanson Bridgett LLP by \$100,000 to an amount not-to-exceed \$400,000

Fiscal Impact: \$100,000 for the provision of the authorized legal services

Option #2

Do not authorize an increase in the maximum amount payable under this contract with Hanson Bridgett LLP

Fiscal Impact: No known fiscal impact, but Metropolitan will not have access to the specialized expertise and assistance provided by this law firm

Staff Recommendation

Option #1



Marcia Scully
General Counsel

3/4/2021
Date

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