THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

3/11/2025 Board Meeting

7-11

Subject

Authorize an increase of $100,000, to an amount not to exceed $600,000, 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 operation of its deferred compensation program and advised on related tax issues. The Board authorized contract increases in 2018, 2020, 2021, and 2022, bringing the current not-to-exceed amount to $500,000. 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 employee benefits. Staff's experience is that the workload remains constant and the current cost incurred is approximately $70,000 per year.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

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 $600,000.

Fiscal Impact: $100,000 for the provision of the authorized legal services
Business Analysis: Metropolitan will obtain specialized legal expertise for its deferred compensation plans.

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
Business Analysis: Metropolitan will not obtain specialized legal expertise for its deferred compensation plans.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 6430: General Counsel Powers and Duties

Metropolitan Water District Administrative Code Section 6810: Employee Deferred Compensation and Savings Plans

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

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 record keeper and amended its deferred compensation plans. Hanson Bridgett assisted in these efforts, including review of record keeper 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 online and personal account management advice to plan participants.

In 2020, Metropolitan enhanced its plans' operations to make the plans' 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 loans and hardship distribution rules for qualified participants.

In 2021 and 2022, Metropolitan automated its required minimum distribution procedures and drafted plan amendments to allow qualified birth and adoption distributions and lower the 457(b) plan in-service distribution age limit to age 59½. As requested by participants, it also added environmental social governance funds to its fund lineup and provided non pro rata options for partial distributions. Hanson Bridgett assisted in these efforts and advised on other issues, such as plan loan offsets, death benefits determinations, and after-tax Roth deferrals

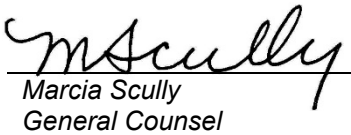
for participants. They also advised on employee benefits matters, such as employer tax credits for family and sick leave coverage.

In 2023 and 2024, Metropolitan restructured and streamlined plan governance, including amending the Administrative Code and establishing an investment committee with governing bylaws. It also implemented Roth deferral accounts and provided retirees the option to consolidate plan accounts. Hanson Bridgett assisted in these efforts and advised on the mandatory and optional provisions of Secure Act 2.0, on properly designating trust and wills as beneficiaries, and on how the plan expense account may be applied, for example, to provide fiduciary training.

In September 2018, March 2020, March 2021, and December 2022, the Board authorized increases of $100,000 for a current not-to-exceed amount of $500,000. Upcoming efforts will include amending the plans under Secure Act 2.0, which will, among other things, streamline operations by eliminating inadvertent overpayment recovery and expanding the use of IRS self-correction rules to make minor corrections, will clarify rules that allow charitable remainders, and will allow for the adoption of new plan features that simplify federal disaster relief and lower penalties for failing to timely take required distributions. Hansen Bridgett will assist in these plan amendments.

Staff requests authority to increase the maximum amount payable pursuant to this contract by $100,000 to an amount not to exceed $600,000 so that Hanson Bridgett may continue to assist Metropolitan with its deferred compensation plans 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.



Marcia Scully
General Counsel

3/4/2025
Date

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