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DEFERRED COMPENSATION PLAN BOARD REPORT 07-26



Date: June 1, 2007

To: Board of Deferred Compensation Administration

From: Staff on Behalf of Plan Governance Task Force

Subject: Plan Governance Task Force Findings Regarding Pensions Representative

Recommendation:

That the Board of Deferred Compensation Administration receive and file this summary of findings from the Plan Governance Task Force, including its recommendation that no change be made to the Plan governance structure previously approved by the Board and the City Council.

Discussion:

At the Board's March 20, 2007 meeting, the Board directed staff to reconvene the volunteer Plan Governance Task Force to review the issue of the Pensions representative on the Board of Deferred Compensation Administration. The Board was interested in receiving feedback from the Task Force on the question of whether the Pensions representative position should allow for alternating representation from the sworn-Police and sworn-Fire employment groups.

In preparation for this meeting, on April 18, 2007, staff issued correspondence to the labor organizations representing sworn Police and Fire members (attached) inviting them to provide feedback on this issue. No responses were received. On May 8, 2007, the Task Force held its meeting.

The Task Force began its review by reviewing the broader question of how the City population as a whole is most appropriately broken down in terms of representation on the Board. The Task Force noted that throughout the history of the Plan, including the most recent revisions to the Plan governance structure, active employee representation on the Board has been broken out by the City's three retirement plans (LACERS, Pensions and DWP). The Task Force determined that doing so provided a sound basis to structure representation given that (a) the Deferred Compensation Plan is intended to supplement the benefits provided by the three retirement systems, and (b) the retirement benefits differ under each of those three systems. In the most important sense, therefore, the Task Force concluded that representation is broken out not truly by *employee groups* but rather by *retirement systems*, a crucial distinction.

From this frame of reference, the Task Force found that subdividing representation and constituencies within those three retirement plans by *employee groups* would be inconsistent with the fundamental makeup of the Board and lead to a much more complex and unwieldy system of representation. The Task Force reasoned that mandating either a sworn-Police or sworn-Fire position on the Board would effectively privilege that particular employment group with a position on the Board and could generate legitimate appeals for discrete representation by different City departments, unions or other established constituencies.

For example, claims for representation might subsequently arise from non-sworn Police or Fire employees; large departments such as Public Works, Airports or Recreation and Parks; large bargaining units such as AFSCME or IBEW; and various other group identifications around which City employees organize themselves. In short, if one employee group was afforded unique representation rights, any employee group could claim its own representation rights as well. Stretching this line of thinking out further, the Task Force contemplated that some employee groups might even argue for greater voting power based on the fact that their group represented a larger percentage of the participant population as a whole.

The Task Force was aware of the fact that Pensions recently established a rotation system for its Fire and Police representatives on the Board, but noted that this system was only recently formally adopted by the Pensions Board and was not related to any Administrative Code requirement to do so. From the perspective of the Deferred Compensation Plan, the only interest was in securing a representative from each retirement/pension plan. The fact that Pensions (or LACERS or DWP) might opt to rotate its eligible representatives, on whatever basis they chose, was in the end a decision of that particular retirement/pension board and not related to the role that representative should play on the Board.

The Task Force further acknowledged that once direct elections begin for seats on the Board, it was possible that different constituencies within the retirement plans (for example, a particular union or department) might, based on their size, have a theoretical advantage in a given election if one of their membership was running for a seat. However, the Task Force recognized that this could occur within *any* of the three plans, that it is a fairly normal state of affairs in most types of elections within and outside the City, and that in any event it was not possible to fairly control for that outcome without a complete restructuring of how the Board has historically been organized. Most importantly, the Task Force believed that the fundamental obligation for any elected Board member was to represent the common interests of all members of that group, not a particular sub-group of which that individual might happen to be a member.

Given this information, the Task Force believes that the Plan governance structure previously recommended to and adopted by the Board, and subsequently approved by the City Council, remains the most effective way of providing representation to Plan participants. The Task Force does not recommend any changes to that structure.

Submitted on behalf of and with the approval of the members of the Plan Governance Task Force:

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn