

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 10/8/2025

Staff Report No. 24-409a

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: Deferred Compensation Plan Committee

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider adoption of Resolution 25-025 to create a Deferred Compensation Plan Committee to oversee the District's existing Deferred Compensation Plan.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

Goal - High-Performing Workforce
Initiative - Employee Recruitment, Training and Retention

The District's deferred compensation plan is an important benefit for employees to help save for their retirement as a complement to their pension. Having a formal governance structure is a best practice that helps the District meet its fiduciary duty as the plan sponsor. The Committee composed of participants also helps ensure that administrative and investment decisions are reflective of participant views.

BUDGETARY/FISCAL IMPACT:

The deferred compensation plan expenses are currently paid by the participants, the only direct cost to the District is the staff time required to administer the Committee and any plan consultants.

BACKGROUND/RATIONALE:

The District first established a deferred compensation plan (also known as a defined contribution plan) under Internal Revenue Service code section 457(b) in 1979 as a benefit for employees that allows them to save for retirement in addition to the existing defined benefit pension plan. The deferred compensation plan is also known as a defined contribution (DC) plan, as opposed to pension plans which are also known as defined benefit (DB) plans. The deferred compensation plan is a complement to the pension, allowing employees to supplement their pension payments in retirement. The 457(b) deferred compensation plan is essentially the government agency version of the 401(k) plans offered by private employers.

In October 2024 staff brought a briefing item to explain the need and plan to set up a Deferred Compensation

Committee to oversee the plan. Staff now asks the Board to formally establish and delegate authority for plan administration to the Deferred Compensation Plan Committee (Committee) made up of seven participants. The Committee will administer the plan and oversee the work of the plan recordkeeper and a fiduciary investment consultant. The recordkeeper (Empower) holds the participant funds and investments and is the company that participants contact to manage their accounts. The fiduciary investment consultant (SageView) will assist staff in running the Committee, educate Committee members and staff, provide investment advisory services, and assist with various aspects of the plan's ongoing operation and administration.

Once formed, the Committee will receive fiduciary training before holding its first official meeting. The investment consultant will assist the Committee in creating Bylaws and an Investment Policy Statement in the first year along with regular plan oversight and administration activities.

The Committee Charter is provided in Exhibit A to the Resolution. For administrative simplicity, the Resolution provides the General Manager with the authority to appoint members to the Committee, with the requirement that each of the three bargaining units can choose a representative that the General Manager will then appoint. The remaining four members have been selected from current staff. All members of the Committee must meet the requirements in the Committee Charter (Exhibit A to the Resolution). Appointments must be reported to the Board within 35 days. The expected initial members of the Committee are as follows:

- Josette Moss (ATU Secretary/Treasurer)
- David Berman (AFSCME, Senior Transportation Planner)
- Kevin Auer (IBEW, HVAC Technician)
- Chris Andrichak (Chief Financial Officer)
- Damien Charléty (Executive Officer of the Retirement Plan)
- Alan Parello (Internal Audit Manager)
- Kenneth Myers (Controller)

Staff recommends that the Board adopt Resolution 25-025 to create a Deferred Compensation Plan Committee to oversee the District's existing Deferred Compensation Plan.

ADVANTAGES/DISADVANTAGES:

The primary advantage to establishing the Committee is that it would provide an industry standard structure for administering the deferred compensation plan with professional assistance through an investment management consultant. This governance structure provides better legal protection for the District and better plan administration than currently exists.

The primary disadvantages are the staff time required to maintain this Committee and the enhanced administration, along with the consultant cost borne by the plan participants.

ALTERNATIVES ANALYSIS:

Staff worked with a consultant and researched peer agency structures to come up with the proposed structure. One alternative is to keep the plan governance as it is currently, which is not recommended. The

current governance puts fiduciary responsibility on the finance department staff who administer the plan and does not formally allow for any organized participant input on administrative or investment decisions. Another alternative is for the Board to delegate administration of the plan to the General Manager, who could then appoint a committee in a similar fashion to the current General Manager's Accessibility Committee (GMAC). This is not recommended as it would unnecessarily put fiduciary responsibility on the General Manager in addition to whatever committee or other structure was set up to manage it. The recommended governance has fiduciary responsibility flowing from the Board (as the District) to the Committee, with the General Manager appointing members within the bounds of the Charter as an administrative convenience.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 24-409 - Deferred Compensation Governance

ATTACHMENTS:

1. Resolution 25-025
2. Resolution 25-025 Exhibit A - Charter

Prepared by:

Chris Andrichak, Chief Financial Officer

Approved/Reviewed by:

Aimee L. Steele, General Counsel/Chief Legal Officer

Chris Andrichak, Chief Financial Officer