

B&P 1/12

SUBJECT: CSEA Bylaws Revision – New Governance Structure

SUBMITTED BY: Board of Directors

REFERENCE: CSEA Bylaws Revision

WHEREAS, (1) all four affiliates of the California State Employees Association recognize their common history in the creation of the California Public Employees Retirement System and share a common goal of preserving, protecting and strengthening the long term viability of defined benefit retirement programs; and,

WHEREAS, (2) all four affiliates of the California State Employees Association recognize their common history in moving legislation on every aspect of state employment, notably the merit system, health care benefits and countless parts of the Government Code that benefit the public as well as public employees; and,

WHEREAS, (3) all four affiliates of the California State Employees Association share a common interest in preserving, protecting and insuring the viability of health care benefits for their members both while actively employed and in retirement; and,

WHEREAS, (4) all four affiliates of the California State Employees Association recognize their common history of accomplishment for state employees and the public and desire to preserve the opportunity to enjoy a close working relationship through the Association by creating a more adaptable, affordable and responsive business services provider for the ever-changing needs of all four affiliates; and,

WHEREAS, (5) the General Council delegates previously changed the Bylaws of the California State Employees Association to transfer responsibility for direct representation of individual members to the incorporated Affiliates of the Association; and, simultaneously narrowed the primary mission of the Association to be a cost efficient provider of shared administrative services; and,

WHEREAS, (6) the California State Employees Association Bylaws have not kept pace with this shift in mission purpose and results in abnormally high governance costs in relation to the narrow scope of central support services that are required by the Affiliates; and,

WHEREAS, (7) all four affiliates of the California State Employees Association have assumed full control and responsibility for selecting and supervising their own staff employees and are directly responsible for bargaining, member representation and political affairs; and,

WHEREAS, (8) the officers and Boards of Directors of all four affiliates of the California State Employees Association have a fiduciary responsibility to be accountable to their members and exercise full and exclusive control over the use of their members' dues; and,

WHEREAS, (9) the California State Employees Association continues to incur time and expenses in electing statewide officers, approving a central support budget and approving bylaw changes at an annual cost to Affiliate members of approximately \$1,000,000; and,

WHEREAS, (10) the California State Employees Association's central support management team needs to be more nimble in its decision-making ability to cost effectively meet the business needs of the Affiliates and is hampered from doing so by a three-year budget cycle; and,

WHEREAS, (11) the officers and Boards of Directors of all four affiliates of the California State Employees Association expect central support services of the Association to operate as an asset by creating net value for the Affiliates; and now therefore be it

RESOLVED: (a) that pursuant to Article XVII, Section 1 of the Bylaws and applicable law, the delegates to the 66th General Council do hereby adopt an amendment to the 2009-2012 Bylaws (the "Current Bylaws") of the California State Employees Association, a California nonprofit mutual benefit corporation (the "Association") that was submitted by the Board of Directors in compliance with Article IX, Section 11(a)(4), by making the changes to the Current Bylaws set forth below these recitals;

RESOLVED: (b) that since after giving effect to this amendment to the Current Bylaws, the Active Members of the Association no longer elect the Officers of the Association, no Officers of the Association shall be elected at this 66th General Council and shall be instead elected as set forth in the Current Bylaws as so amended; and

RESOLVED: (c) that the Current Bylaws shall be amended to include a new Article XIX to read in its entirety as follows:

Article XIX: New Governance Structure for the Association

Section 1. Creation of a New Class of Membership

The Association shall have a new class of membership called Affiliate Entity Members. The Affiliate Entity Members shall consist of four (4) members: SEIU Local 1000; California State Retirees; CSU Employees Union; and the Association of California State Supervisors.

Section 2. Change in Voting Rights of Active Members; General Council Meetings

The Active members shall have no voting rights, except the right to vote on the dissolution of the Association after each of the Affiliate Entity Members has approved the dissolution of the Association. The General Council shall only meet when a special session of the General Council has been called by the Board of Directors.

Section 3. Voting Rights of Affiliate Entity Members

The Affiliate Entity Members shall have the right to designate the Directors of the Association as set forth in Section 4 below. The Affiliate Entity Members shall have the right to vote as members on all matters which cannot be exclusively exercised by the Board of Directors under the California Nonprofit Mutual Benefit Corporation Law and each Affiliate Entity Member shall have the right to approve the dissolution of the Association before it is submitted to a vote of the Active members as set forth in Section 2 above.

Section 4. Number of Directors and Election of Directors

The Association shall have eight (8) Directors. Each Affiliate Entity Member shall designate two (2) Directors. Each Affiliate Entity Member shall be entitled to remove either or both of its Directors with or without cause and to fill any vacancy(ies) for its Director(s). Each Affiliate Entity Member shall determine its own internal procedures for designating two (2) Directors.

Section 5. Election of Officers; General Manager

The Association shall initially only have the following officers: Chair and Secretary/Treasurer. The Board may create additional officers. The Board of Directors shall elect the Chair of the Board and all other officers of the Association, who shall all serve at the pleasure of the Board of Directors. The Chair and Secretary/Treasurer may not be associated with the same Affiliate Entity Member. The Board of Directors shall engage the General Manager of the Association, who shall serve at the pleasure of the Board of Directors, subject to the terms of any written agreement. The General Manager shall be the chief executive officer of the Association if designated by the Board of Directors; and, in the absence of such designation, the Chair shall be the interim chief executive officer. The General Manager shall not be a Director.

Section 6. Powers of the Board of Directors

(a) To the maximum extent permitted by law, the Board of Directors shall have the right to vote on all matters except for the right to vote on matters as mentioned in Sections 2 and 3 above. The Board of Directors shall have the right and power to conduct the activities and affairs of the Association

and to exercise all corporate powers of the Association, including but not limited to the right to amend the Bylaws.

(b) The approval by at least five of the Directors present and voting at a meeting at which a quorum is present shall constitute approval of the Board, provided that at least one of the Directors designated by each Affiliate Entity Member shall have approved the action at the same meeting.

Section 7. Repeal of Current Board Composition; Removal of all Current Directors

Article IV, Section 1 is repealed. The Active members and the affiliates/divisions remove all of the current Directors of the Association upon the earliest of (a) 20 calendar days after General Council or (b) the date an Affiliate Entity Member designates such Director's replacement; provided that no Director's term may be extended beyond the term for which they were elected. However, if an Affiliate Entity Member designates the same person as a current Director, the person would continue to serve as a Director.

2. This Amendment shall take priority over the Current Bylaws. Any conflict between the Current Bylaws and this Amendment shall be resolved in favor of this Amendment. In order to give full effect to this Amendment, any conflicting provision of the Current Bylaws shall be deemed amended or repealed to the extent necessary, and the Bylaws as so amended herein are hereby ratified.

3. This Amendment shall be effective upon the adjournment of the 66th General Council in accordance with Article XVII, Section 3 of the Current Bylaws.

RECOMMENDED ACTION: The CSEA Board recommends adoption.

ESTIMATED CSEA COST: No additional costs associated with this bylaw change. Significant savings to Affiliates due to reduced governance costs associated with General Council. Additionally, there would be reduced personnel costs in CSEA for positions no longer required to support putting on a General Council.

ACTION: To Board....Adopt....Reject....Amend....Affiliate(s)