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December 10, 2009

To the Honorable Committee  
on Finance & Personnel of the  
Common Council of the  
City of Milwaukee  
Room 205 – City Hall

Re: CCFN 091068 – An amendment to Chapter 36 implementing pre-tax payroll deduction for member-paid pension contributions

Dear Committee Members:

Enclosed is a substitute resolution establishing pre-tax payroll deduction for member-paid pension contributions, and permitting members who separate from service before vesting to withdraw their member-paid contributions.

The Common Council has approved labor contracts with various city unions that require new employees who commence city employment on or after January 1, 2010, to pay 5.5% of their earnable compensation as a contribution to the Employees' Retirement System, in lieu of the city making the contribution on their behalf. This requirement has also been imposed on nonrepresented/nonmanagement employees and management employees commencing city employment next year via amendments to Chapter 36 of the Charter. In conjunction with this requirement, this resolution provides for the implementation of section 414(h)(2) of the Internal Revenue Code to make the member-paid contributions a pre-tax payroll deduction under that section.

To further implement the labor agreements, the amendment permits members who separate before vesting to withdraw their contributions. The amendment also permits the

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separated members to roll their withdrawn contribution over into another tax-deferred account.

Very truly yours,

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enclosure