



Deferred Compensation Board

January 12, 2007


Mr. Ronald D. Leonhardt
City Clerk
City of Milwaukee
200 East Wells Street, Room 205
Milwaukee, WI 53202

Re: Master Agreement as amended and restated effective February 10, 2007

Dear Mr. Leonhardt:

Enclosed please find a fully executed Master Agreement for the Plan of Deferred Compensation as amended and restated effective February 10, 2007.

Respectfully,



William C. Thompson II
Executive Director

WCT:eb

Attachment

Ref.MYDOCS/Exemasagree

MASTER AGREEMENT
for
PLAN OF DEFERRED COMPENSATION
(as amended and restated)
Effective
February 10, 2007

WHEREAS, The City of Milwaukee, a municipal corporation, organized and existing under and by virtue of the laws of the State of Wisconsin and the Constitution of said State, has executed a Master Agreement for a Deferred Compensation Plan; and

WHEREAS, Under the terms of such agreement, the City has reserved the right to amend any of the provisions of the agreement at any time to the extent it may be deemed advisable without the consent of the Participants or any Beneficiaries, provided that no right of a Participant is impaired; and

WHEREAS, The City is now desirous of amending and restating the Master Agreement; now, therefore,

IT IS AGREED, as follows:

1. Parties

The parties to this Agreement shall be the City of Milwaukee, hereinafter referred to as "City", and eligible employees who have elected to participate, hereinafter referred to as "Participants".

2. Definitions

(a) "**Compensation**" shall mean the total amount of wages, salary, bonuses, overtime and other compensation that would be payable by the City to an Employee in the absence of any agreement to defer compensation under this Plan, any comparable deferred compensation plan, or under any arrangement involving the purchase of an annuity contract under Section 403(b) of the Code.

(b) "**Deferred Compensation**" shall mean the amount of Compensation which the Participant elects to defer under the Joinder Agreement and which the Participant and City mutually agree shall be deferred in accordance with the Plan.

(c) "**Includible Compensation**" shall mean the amount of an Employee's Compensation from the City for a taxable year attributable to services rendered for the City, less (1) Deferred Compensation, (2) any amounts contributed for the purchase of an annuity contract described in Section 403(b) of the Code, or (3) any other amounts excludable from gross income for Federal income tax purposes. Includible Compensation shall be determined without regard to any community property laws.

(d) "**Participant**" shall mean any employee or former employee who has elected to participate in the Plan by entering into a Joinder Agreement and who retains the rights to benefits under the Plan.

(e) "**City**" shall mean the City of Milwaukee, Wisconsin.

(f) "**Beneficiary**" shall mean the person or persons, including the Participant's estate, designated by the Participant who are to receive any distributions payable after the death of the Participant, and the term shall also include any person or persons, including the Participant's estate, designated by a Beneficiary after the death of the Participant who are to

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receive any remaining payments after the death of the Beneficiary.

(g) "**Normal Retirement Age**" shall mean the taxable year in which the Participant attains age 70, unless the Participant shall have designated an alternate Normal Retirement Age prior to Termination of Service. A Participant's alternative Normal Retirement Age may not be earlier than the earliest date that the Participant will become eligible to retire and receive unreduced benefits under the Employees' Retirement System, the Policemen's Annuity and Benefit Fund or the Fireman's Annuity and Benefit Fund whichever is applicable to the Participant and may not be later than age 70 ½ or, if the Participant remains in the service of the Employer after age 70 ½, the date of the Participant's expected Termination of Service. If a Participant utilizes the catch-up limitation of paragraph 5 (d), he will automatically be deemed to have selected as his Normal Retirement Age the third calendar year following the first calendar year in which the catch-up limitation is utilized or such earlier year as is necessary to comply with the limitations set forth above. Once a Participant has utilized the catch-up limitation to any extent, his Normal Retirement Age may not thereafter be changed.

(h) "**Severance of Employment**" shall mean severance of the Participant's employment with the City, as defined in Code Section 457(d)(1)(A), for any reason, including retirement.

(i) "**Joinder Agreement**" shall mean the agreement entered into by a Participant which specifies (1) the amount of Deferred Compensation, (2) the Participant's investment selection, and (3) the Participant's Beneficiary.

(j) "**Board**" shall mean the deferred compensation board established under Section 5.50 of the Milwaukee City Charter, 1971 compilation, as amended.

(k) "**Employee**" shall mean any employee of the City who receives Compensation.

(l) "**Plan**" shall mean the Deferred Compensation Plan of the City of Milwaukee as established under Section 5.50 of the Milwaukee City Charter, 1971 compilation, as amended, as implemented by this Agreement and any rules promulgated by the Board. This Plan is intended to qualify as an Eligible State Deferred Compensation Plan within the meaning of Section 457 of the Code.

(m) "**Administrator**" shall mean the independent administrator retained by Board to administer the Plan.

(n) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(o) "**Eligible Rollover Distribution**" means an eligible rollover distribution as defined in Code Section 402(c)(4), including eligible rollover distributions to a surviving spouse under Code Section 402(c)(9).

(p) "**Eligible Rollover Account**" means the separate bookkeeping account maintained by the Plan Administrator for each Participant for amounts of Eligible Rollover Distributions as defined in subparagraph (o).

(q) "**Deferred Compensation Account**" means the separate bookkeeping account maintained by the Plan Administrator for each Participant for amounts of Deferred Compensation as defined as defined in subparagraph (b).

(r) "**Eligible Retirement Plan**" means an eligible retirement plan as defined in Code Section 402(c)(8)(B).

3. Eligibility

Any employee of the City shall be eligible to participate in the Plan.

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4. Enrollment

(a) **Initial Enrollment.** An Employee may enroll in the Plan and become a Participant by executing a Joinder Agreement to become effective not earlier than the first pay period beginning in the calendar month following the date such Joinder Agreement is signed.

(b) **Continuation of Joinder Agreement.** The Participant's Joinder Agreement shall remain in effect and Compensation shall continue to be deferred thereunder until the Participant's Termination of Service, however, the Participant may modify or terminate the deferral percentage as permitted under this Plan.

(c) **Effect of Participation on Other Benefits.** The Participant's election to defer Compensation under this Plan shall not have any effect in determining the Participant's Compensation or average Compensation for purposes of any other retirement plan or employee benefit plan maintained by the City and such Compensation or average Compensation shall be determined in the same manner as if the Participant had not elected to defer Compensation under this Plan.

5. Deferred Compensation Contributions and Limitations

(a) **Deferred Compensation Contributions.** The Employee shall specify in his Joinder Agreement the amount of Compensation to be deferred under the Plan for each payroll period, subject to the limitations set forth in subparagraphs (b), (c), (d) and (e), below. The Employee may increase or decrease the amount of Deferred Compensation with respect to future payroll periods at any time in a manner approved by the Plan. An Employee's election to defer Compensation or to modify the amount of Compensation deferred will be effective for the pay period following the election. The Employee may terminate his Joinder Agreement and be restored to full Compensation as of the beginning of the payroll period, which commences after notice of such termination is received by the Administrator. An election to defer Compensation under this Plan, or any modification of such election, shall be applicable only to Compensation to be earned on or after the first of the month subsequent to such election or modification of election.

(b) **Maximum Deferral -- General Limitation.** Except as otherwise provided in this paragraph, the maximum amount of Deferred Compensation for any Employee for any taxable year shall not exceed the lesser of the applicable dollar amount under Section 457 (b)(2)(A) of the Code as adjusted for cost of living adjustments described in Section 457(e) of the Code, or 100 percent of the Participant's Includible Compensation for the taxable year.

(c) **Maximum Deferral—Participants Age 50 or Over.** The maximum deferral amount described in subparagraph (b) is increased for Employees who have attained age 50 or over by the end of the taxable year. The additional amount permitted under this subparagraph is the lesser of (1) the applicable dollar amount set forth in Section 414(v)(2)(B) or (2) the Employee's Compensation for the taxable year reduced by any other elective deferrals by the Employee to the Plan for the taxable year. This subparagraph shall not be applicable for any taxable year in which subparagraph (d) applies.

(d) **Maximum Deferral -- Catch-up Limitation.** For any one or more of the Employee's last three taxable years ending before his attainment of Normal Retirement Age, the maximum amount of Deferred Compensation shall be the sum of the maximum amount

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permitted under subparagraph (b) for the taxable year and all prior taxable years after 1978 during which the Employee was eligible to participate in any eligible deferred compensation plan under Section 457 of the Code (the eligible deferred compensation plan being subject to the limitation described in subparagraph (b) commencing in 1979), less the sum of the amounts actually deferred by such Employee for such prior taxable years after 1978. In no event, however, may the amount deferred pursuant to this subparagraph exceed the maximum dollar amount in effect under Section 457(b)(3) of the Code.

(e) **Further Limitation on Deferral -- Board Rules.** The Board may from time to time prescribe rules which further limit the dollar amount or percentage of Compensation that may be deferred by Employees, provided that any such rules shall not permit deferrals in excess of the limitations set forth under subparagraphs (b), (c) and (d).

6. Eligible Rollover Distributions Eligible Rollover Distributions may be made to this Plan by a Participant provided (i) the Eligible Rollover Distribution is made entirely in the form of U.S. dollars, and (ii) the Participant demonstrates to the Plan Administrator's satisfaction that the amount is a qualifying Eligible Rollover Distribution under Code Sections 402(c)(4), 403(a)(4) or 408(d)(3).

7. Accounts and Investments

(a) **Participant's Deferred Compensation Account.** A separate bookkeeping account shall be maintained for the Participant reflecting the cumulative amount of the Participant's Deferred Compensation, including any investment income, gains, or losses. Each Participant shall be entitled to a report as of the end of each calendar quarter reflecting the amounts credited to his accounts, earnings or losses on investments, and distributions, if any. Such report shall be made within 30 days after the close of the preceding calendar quarter. When a Participant has commenced receiving distributions under a payment option described in Paragraph 9 (d), and the City has provided for such payments by applying the Participant's account balances under a contract issued by a life insurance company, no further reports of account balances shall be made.

(b) **Participant's Eligible Rollover Account.** A separate bookkeeping account shall be maintained for the Participant reflecting the cumulative amount of the Participant's Eligible Rollover Distributions accepted by the Plan for a Participant, including any investment income, gains, losses, and distributions, if any, shall be included in the report provided to the Participant under subparagraph (a).

(c) **Investment Options.** A Participant may elect to have funds in his accounts invested and credited to his accounts under one or more investment categories authorized by the Board.

(d) **Board Discretion.** Subject to subparagraph (e), the Board shall have complete discretion to approve, change or eliminate the specified insurance companies, financial institutions, or other carriers with whom a Participant's accounts shall be invested within each investment category, to limit or expand the investment categories, and to prescribe rules limiting the percentage or amount of said accounts that may be allocated among investment categories.

(e) **Reinvestment of Deferred Compensation and Eligible Rollover Distributions.** With respect to Compensation deferred before January 1, 1981, the Board shall have complete discretion to invest such amounts in one or more of the investment categories or in any other lawful investments that the Board deems appropriate. When an

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investment category is eliminated, the Board shall have the authority to eliminate an investment category and the discretion to reallocate the balance of Participants who do not select a substitute category. Except as herein before provided, the Board shall not cause any Deferred Compensation or Eligible Rollover Distributions invested in accordance with a Participant's selection under subparagraph (c) to be liquidated and reinvested under a different investment category, except with the Participant's consent in accordance with regulations or rulings promulgated under the Code.

(f) **Ownership of Investments** All amounts of Deferred Compensation and Eligible Rollover Distributions within the Plan, including all property, rights and investments purchased with such amounts and all income attributable thereto, shall be held in trust, custodial accounts, or contracts in accordance with the qualified trust provisions and Section 457(g) of the Code for the exclusive benefit of Participants and Beneficiaries. Except for contributions made by mistake of fact that are returned to the City within one year, and expenses referred to in Section 10(c), no part of the assets held in trust, custodial accounts, or contracts shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants and Beneficiaries.

8. **Designation of Beneficiary**

The Participant's Joinder Agreement shall designate the Beneficiary or Beneficiaries who are to receive distributions under paragraph 9 (c) in the event of the Participant's death. In the event that the Participant has not properly designated a Beneficiary or Beneficiaries, or if for any reason such designation shall be legally ineffective, or if said Beneficiary or Beneficiaries shall predecease the Participant, then the Participant's estate shall be treated as the Beneficiary. A Participant may change his Beneficiary designation at any time by amending his Joinder Agreement, or by submitting a Beneficiary Change form. Unless a payout already has been made to a Beneficiary, the Beneficiary shall have until the last day of the calendar year following the Participant's death to disclaim benefits to the Participant's Account. The Beneficiary Change form shall be provided by the Administrator and shall have no effect until it is signed, filed with the Administrator by the Participant, and accepted by the Administrator.

9. **Distribution of Benefits**

(a) **Permissible Distribution.** Effective January 1, 1989, amounts payable under the Plan will be made available to Participants or other Beneficiaries no earlier than:

- (1) Upon the Participant's severance of employment with the City;
- (2) The calendar year in which the Participant attains age 70 ½;
- (3) When the Participant is faced with an unforeseeable emergency; and
- (4) The Participant's death prior to commencement of distributions.

(b) **Distributions Other Than for Death or Unforeseeable Emergency.** The Participant shall specify in writing to the Plan Administrator one or more payment options described in subparagraph (e) under which the value of his account will be distributed upon Severance of Employment with the City or attainment of age 70 ½. Payment shall be made to the Participant as soon as practicable after the Plan Administrator receives notification of the Participant's payment option. All irrevocable elections made by a Participant or Beneficiary prior to January 1, 2002 and defaulted distributions (other than a defaulted distribution to an annuity option) shall become revocable as of January 1, 2002. Commencing in 2002, a Participant who has chosen one or more payment options, other than an annuity option, shall have the ability to change each payment option once during

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each calendar year at no cost. Any additional changes during a calendar year shall be authorized by the Board and shall be subject to an administrative charge in an amount determined by the Board.

(c) **Distributions Upon Death.** If the Participant dies before payments to the Participant have commenced or before all payments to the Participant have been completed, payments shall be made to the Participant's Beneficiary in accordance with the following rules:

1. If the Participant dies before his or her entire interest has been distributed, the Beneficiary shall specify in writing to the Plan Administrator a payment option under subparagraph (e) under which the value of the Participant's remaining interest will be distributed. Payment of the remaining interest shall be made within 5 years of the Participant's date of death unless the Beneficiary elects to defer payment to a specified future date (which must be the first day of a month) that is not later than the last month of the year following the year of the Participant's death, (i) and to have the remaining interest payable over a time period not to exceed the Beneficiary's life or life expectancy. If the Beneficiary is the surviving spouse of the Participant, the beneficiary may defer the remaining interest distribution until April 1 of the year following the year the Participant would have attained age 70 ½, and have the remaining interest payable over a time period not to exceed the Beneficiary's life or life expectancy.

2. In the event of the death of the Beneficiary after the death of the Participant, but prior to commencement of distribution, death benefits shall be paid to the estate of the Beneficiary.

3. Where two or more Beneficiaries survive the Participant, then unless the Participant has specified a different share, each Beneficiary shall be entitled to an equal share of the payments, if any, to be made after the death of the Participant, and each shall be entitled to exercise all rights of a Beneficiary respecting his or her share. In the event of the death of a Beneficiary before the death of the Participant, payments shall be made to any surviving Beneficiary or contingent Beneficiary designated by the Participant or, if none, to the estate of the Participant. In the event of the death of the Beneficiary after the death of the Participant and before all payments to the Beneficiary have been completed (whether or not such payments have commenced), the remaining distributions or the value of the Beneficiary's remaining interest shall be paid to any successor Beneficiary designated by the deceased Beneficiary or, if none, to the deceased Beneficiary's estate.

4. If the Beneficiary is the Participant's surviving spouse, clauses (1), (2), and (3) shall be applied as if the surviving spouse were the Participant, and a Beneficiary designated by the surviving spouse shall have the same rights as a Beneficiary designated by the Participant, except that a Beneficiary who is a surviving spouse of the Participant's surviving spouse (by reason of remarriage) shall not be permitted to defer the commencement of distributions under clause (1).

(d) **De minimis Distributions.** In the event the value of a Participant's account does not exceed the dollar limit under Section 411(a)(11)(A) of the Code, there has been no prior distribution under this paragraph, and no amounts were deferred to the account during the two year period ending on the date of distribution, the Participant may elect to receive a lump sum distribution of the balance payable as soon as practicable after the Plan Administrator receives the Participant's request.

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(e) **Payment Options.** As elected under subparagraphs (b), (c) or (d), and subject to subparagraph (f), the value of the Participant's accounts may be distributed under one or more of the following payment options:

- (1) As a lump sum;
- (2) As a partial lump sum;
- (3) As period payments of a fixed dollar amount;
- (4) As period payments of a fixed period of time;
- (5) As an expected lifetime or joint life expectancy recalculation payment;
- (6) As a life annuity;
- (7) As a life annuity with installment refund;
- (8) As a life annuity with a guaranteed period of 5, 10, 15, or 20 years; or
- (9) Any other combination of lump sum and/or periodic payment or annuity arrangements as shall be authorized by the Board from time to time.
- (10) If no other payment option is selected, the Participant's account shall be distributed in accordance with payment option (1) above.

(f) **Limitations on Payment Options.** No payment option may be selected by a Participant or Beneficiary unless it satisfies the requirements of Code Section 401(a)(9) and any regulations or rulings thereunder. A payment from an Eligible Rollover Account may be subject to a 10% early withdrawal tax. The Board reserves the right in its sole discretion to cause distributions to be made in a manner other than under the payment options selected by the Participant or Beneficiary where the selected payment options would result in installment payments of a de minimus amount, where the selected payment options would contravene the requirements of Code Section 401(a)(9).

(g) **Distributions for Unforeseeable Emergencies.** A distribution of Deferred Compensation credited to a Participant's account shall be permitted in the event the Participant experiences an unforeseeable emergency creating severe financial hardship as a result of sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Payment may not be made to the extent that such hardship is or may be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's assets to the extent the liquidation of those assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under the Plan. The need to send a child to college or the desire to purchase a new home shall not be considered unforeseeable emergencies. All distributions under this subparagraph shall be permitted only to the extent reasonably needed to satisfy the emergency need, taking into account the amount of any income tax withholding or other income tax liability resulting from the distribution. Application for distributions under this subparagraph must be approved by the Board.

(h) **Service Credit Purchase.** A Participant may use all or a portion of his Deferred Compensation account as a direct trustee-to-trustee transfer to the City of Milwaukee Employees' Retirement System ("MERS") for the repayment of contributions and earnings with respect to any amount previously refunded upon a forfeiture of service credit, provided that MERS permits such a transfer.

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(i) **Rollovers to Eligible Retirement Plans.** Subject to subparagraph (b), a Participant may elect at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Participant, provided that the Participant presents to the satisfaction of the Plan Administrator a letter of acceptance or other written acknowledgment from the accepting plan that it is an Eligible Retirement Plan qualified to accept Eligible Rollover Distributions.

10. Administration

(a) **Administrator.** The Board shall enter into a contract with an independent administrator which shall represent the City in all matters concerning the administration of the Plan, including but not limited to the enrollment of Employees as Participants, the maintenance of individual accounts and other records, and the distribution of benefits of Participants. Neither the Administrator nor its employees shall be eligible to participate in the Plan.

(b) **Board.** The Board shall have the ultimate supervisory authority and shall be responsible for all discretionary decisions in the administration of the Plan. The Board shall serve as a fiduciary under § 881.01, Stats., with respect to assets of the Plan, provided however; the Board shall not be deemed to have breached its fiduciary duties for permitting participants and beneficiaries to exercise control over assets in their individual account; participants and beneficiaries shall not be deemed to be fiduciaries by reason of exercising control over the assets in their individual account and; no person who is otherwise a fiduciary shall be liable for loss, or by reason of any breach, which results from participants or beneficiaries exercising control over assets in their individual account. Participants or beneficiaries shall be deemed to exercise control over the assets in their accounts if the Board offers them a range of investment alternatives sufficient to provide them with a reasonable opportunity to choose from at least three investment alternatives, each of which is diversified, each of which has materially different risk and return characteristics, which in the aggregate enable the participant or beneficiary to achieve a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for the participant or beneficiary and each of which when combined with investments in the other alternatives tends to minimize through diversification the overall risk of a participant's or beneficiary's portfolio. The Board shall have full power and authority to adopt rules and regulations for the administration of the Plan and to interpret, amend and revoke such rules and regulations, provided that such rules and regulations that are adopted are not inconsistent with the provisions of the Plan. Notwithstanding the "exclusive benefit" requirement of Section 7(f), the Board shall have authority to distribute expenses referred to in Section 10(c) against Participant accounts in a manner specified by the Board. In addition, the Board shall have authority to approve transfers and to determine whether a Participant can receive distributions because of an unforeseeable emergency. Members of the Board shall not participate in any determination with respect to any interest that they may have under the Plan as Participants. Members of the Board shall not be compensated beyond their regular compensation as employees of the City.

(c) **Administrative Costs.** It is the intent of this Plan that the City shall not incur any expense in the operation and administration of this Plan, other than incidental expenses

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and other than for its obligation to pay the Deferred Compensation as provided hereunder. In the event that material expenses are incurred, the Board reserves the right, upon notice to the Participants, to reduce the amount of Deferred Compensation credited to Participant's accounts on a uniform basis in order to cover such administrative expenses.

11. Amendment or Termination

(a) **Amendment of Plan.** The City reserves the right to amend or modify any provisions of the Plan excepting only paragraph 7(f) at any time to the extent that it may deem advisable without the consent of the Participants or any Beneficiary, provided that no amendment or modification shall impair the rights of Participants or Beneficiaries with respect to Compensation deferred prior to such amendment or modification. An amendment of the Plan shall not be effective to the extent the amendment has the effect of causing any Plan assets to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and Beneficiaries.

(b) **Termination of Plan.** The City reserves the right to terminate the Plan at any time and such termination shall act as a termination as to all Participants. Upon termination of the Plan, the City reserves the right to make distributions to Participants at such time and in such manner as the City may deem advisable.

12. Non-Assignability

No benefits under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance. Any attempt to do so shall be void. Such benefits shall not be subject to or liable for the debts, contracts liabilities, engagements or torts of the Participant or his Beneficiaries.

13. Waiver

Notwithstanding any other provision of the Plan, the City shall not be liable to the Participant or any Beneficiary for any mistake in judgment in the making or retaining of any investments, nor for any loss from investing the funds so long as the City performs its obligations hereunder in good faith.

14. Applicable Law

The Plan shall be construed under the laws of the State of Wisconsin.

15. Transfers Between Plans

Effective January 1, 1987, transfers shall be permitted to and from other deferred compensation Plans eligible under Section 457 of the Internal Revenue Code of 1986, as amended.

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In Witness Whereof, The City of Milwaukee, a municipal corporation, has caused this Amended and Restated Master Agreement to be executed by its duly authorized officers this 5th day of January, 2007.

IN THE PRESENCE OF:

CITY OF MILWAUKEE

Jodie Tabak

Tom Barrett
MAYOR

Scott M. Elmer

Ronald Honkahl
CITY CLERK

COUNTERSIGNED:

Deane D. March

DEPUTY

Michael J. ...
COMPTROLLER

Ref: mastagree-02-07