

MEMORANDUM

TO: Finance and Personnel Committee, City of Milwaukee Common Council

FROM: Jim Carroll, Assistant City Attorney

DATE: July 15, 2021

RE: File No. 210466—Resolution Re: Distributions from Deferred Compensation Plan Participant Rollover Accounts

CC: Beth Cleary, Executive Director, Deferred Compensation Plan

The above-referenced resolution, sponsored by Ald. Murphy, approves the Master Agreement for the deferred compensation plan, which includes a new amendment related to permitting Plan participants to receive distributions from rollover accounts prior to retiring or otherwise separating from employment as permitted under IRS code. Specifically, the Board decided to recommend approval to amend Section 4.1 of the Master Agreement, which sets forth the circumstances under which a Plan participant may take a benefit distribution from their Plan account(s).

The most typical scenario in which a Plan participant withdraws funds from a Plan account is when that participant separates from City employment, whether via retirement or otherwise. However, the Master Agreement also sets forth other events that allow a participant to take a distribution, including when the participant experiences an unforeseeable emergency or when the participant is ordered to do so by a court in the context of a divorce.

Pursuant to Internal Revenue Service (“IRS”) regulations and the Master Agreement, Plan members may move funds into the Plan from other eligible retirement plans. Those funds must be maintained in separate “rollover accounts.” Though IRS regulations permit distributions of rollover account funds prior to a participant’s separation of employment, the Plan’s Master Agreement previously did not provide for participants to receive distributions from rollover account contributions. The Deferred Compensation Board’s May 20, 2021 decision simply adds a provision to the Master Agreement allowing for such distributions. This option provides participants with additional flexibility in managing their finances and makes the Plan an even more appealing option for City employees. For these reasons, the Executive Director and the Deferred Compensation Board respectfully ask that the Finance and Personnel Committee recommend approval of the authorizing resolution to the Common Council.