



Legislation Text

File #: 051174, Version: 1

051174
SUBSTITUTE 1

THE CHAIR

A substitute charter ordinance relating to automatic rollover of certain retirement benefits as required by the Internal Revenue Code.

36-10-2 am

The new automatic rollover provisions imposed by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) require that any mandatory distribution from a qualified pension plan in an amount in excess of \$1,000 must be automatically rolled over by the plan to a qualified retirement account if the person to whom the distribution is made fails to elect either to have the amount paid in a direct rollover, or receive the distribution directly. These rollover provisions are imposed upon qualified plans pursuant to section 401(a)(31)(B) of the Internal Revenue Code that applies to governmental plans such as the city of Milwaukee employees' retirement system.

The effective date of this new law applies to distributions that are made after the close of the first regular legislative session of the legislative body with the authority to amend the plan that begins on or after January 18, 2006. Accordingly, this new law will apply to distributions made after the regular meeting of the common council on January 18, 2006.

This charter ordinance amends chapter 36 to implement the Internal Revenue Code requirements for automatic rollovers of mandatory distributions.

The Mayor and Common Council of the City of Milwaukee do ordain as follows:

Part 1. Section 36-10-2 of the charter is amended to read:

36-10. Exemption from Taxation, Execution and Assignment.

2. Notwithstanding sub. 1., a beneficiary who was a member may elect to have a taxable distribution except: annuities paid over life or life expectancy; installments for a period spanning 10 years or more; and minimum distributions under s. 401(a)(9) of the Internal Revenue Code; paid directly to an individual retirement account or bona fide defined contribution account that accepts contributions (Internal Revenue Code s. 401(a) and (31) and Internal Revenue Code s. 404(a)(2)), including an eligible plan under s. 457(b) of the Internal Revenue Code which is maintained by a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan, or a tax sheltered annuity that accepts rollovers (Internal Revenue Code s. 403(b)(10)).>>For distributions made on or after January 18, 2006, in the event of a mandatory distribution greater than \$1,000 in accordance with the provisions of s. 36-05-1-a, 36-05-6-d-2, 36-05-6-e, 36-05-11-a or b, if the beneficiary does not elect to have such distribution paid directly to an eligible retirement plan specified by the beneficiary in a direct rollover or to receive the distribution directly in accordance with this section, then the board will pay the distribution in a direct rollover to an

individual retirement plan designated by the board.<<

Part 2. This is a charter ordinance and shall take effect 60 days after its passage and publication, unless within such 60 days a referendum petition is filed as provided in s. 66.0101(5), Wis. Stats., in which event this ordinance shall not take effect until submitted to a referendum and approved by a majority of the electors voting thereon.

APPROVED AS TO FORM

Legislative Reference Bureau

Date: _____

IT IS OUR OPINION THAT THE ORDINANCE
IS LEGAL AND ENFORCEABLE

Office of the City Attorney

Date: _____

City Attorney

City Attorney
01/04/2006

1054-2005-3421:10046

LRB05502-2
BJZ/cac