



## Legislation Text

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**File #:** 160375, **Version:** 2

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160375

SUBSTITUTE 2

..Sponsor

THE CHAIR

Substitute resolution relating to a Revised Master Agreement for the City of Milwaukee's 457(b) Plan.

Under s. 5-50 of the City Charter, the City has made available to its employees a deferred compensation plan which permits participants to save for retirement by deferring compensation from their wages. The plan is an eligible plan under s. 457(b) of the Internal Revenue Code. The plan is supervised by a board and administered under a Master Agreement which is amended from time to time as required by federal tax law or as deemed advisable by the Common Council. The Charter allows the board to administer plans for multiple employers; and at this time there are, in addition to the City of Milwaukee, multiple identical Master Agreements for the City of Milwaukee Employees' Retirement System, the Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee and the Wisconsin Center District.

This resolution approves an amendment to all the Master Agreements for the deferred compensation plans and consolidates all such plans into a single plan document, a Master Agreement, to document federal tax law compliance and implement enrollment best practices for the plan.

..Body

Whereas, The City of Milwaukee established in s. 5-50 of the City Charter a deferred compensation plan which is an eligible deferred compensation plan under s. 457(b) of the Internal Revenue Code; and

Whereas, The plan is supervised by a board and administered by a written Master Agreement for Plan of Deferred Compensation which is amended from time to time as required by federal tax law or as deemed advisable by the Common Council; and

Whereas, The Charter allows the board to administer plans for multiple employers and currently there are, in addition to the City of Milwaukee, multiple identical Master Agreements for the City of Milwaukee Employees' Retirement System, the Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and the Wisconsin Center District; and

Whereas, The Common Council wishes to amend the plan to (i) restate the previous master agreement in its entirety to bring it into updated compliance with federal tax law, (ii) bring all the aforementioned employers under one agreement, (iii) expand the availability of Roth investment options and withdrawal of funds for the purchase of service credit when legally available, (iv) implement a procedure whereby (a) employees may be enrolled by default into the plan absent affirmative elections by an employee at a fixed percentage of compensation, to be initially set at 3% with discretion in the board to increase such percentage at a later date beginning no earlier than 2017, such increase in no event to exceed 5%; (b) place all contributions of newly default-enrolled employees into an age-appropriate target date fund or other qualified default investment alternative under applicable federal law in the discretion of the board; and (c) provide employees with the option to elect an automatic annual increase to their contribution rate with discretion in the board to make this a default feature that could apply if employees do not make an affirmative election with respect to these increases at a later date beginning no earlier than 2017, such annual default automatic increase in no event to exceed 1%, up to a maximum contribution rate of 15%, and (v) implement a procedure whereby following only the 2016 enrollment, current participants' account balances (except for assets held in the self-directed brokerage account) and all current participants' future contributions will be (re)allocated to an age-appropriate

target date fund, absent an affirmative election by a participant during the 2016 enrollment period.

Whereas, The Board of the Deferred Compensation Plan wishes to amend and restate the Master Agreements, and to consolidate all Master Agreements for the City of Milwaukee, the Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the City of Milwaukee Employees' Retirement System, and the Wisconsin Center District into the accompanying Master Agreement which are attached to this file, in order to document compliance with applicable Internal Revenue Code provisions, set the terms of participation in the plan, and implement enrollment best practices for participants in the plan as detailed above; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Master Agreement, in the form attached to this file is hereby approved, subject to any such revisions which may be necessary as approved by the City Attorney to comply with applicable law;

Further Resolved, By the Common Council of the City of Milwaukee, that the Master Agreement for a Plan of Deferred Compensation, which is attached to this file, shall be consolidated in that document and provide the terms of participation for employees of the City of Milwaukee, the City of Milwaukee Employees' Retirement System, the Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and the Wisconsin Center District, and such Master Agreement shall supersede all prior Master Agreements concerning the Plan; and, be it

Further Resolved, That the proper City officers are authorized to execute the Master Agreement; and, be it

Further Resolved, That the Executive Director of the Deferred Compensation Plan shall submit a Communication to the Finance and Personnel Committee in 2017 detailing the outcome of the Plan's new enrollment practices, occurring in part October 1st to 31st, 2016; and be it

Further Resolved, That the Executive Director of the Deferred Compensation Plan shall submit a Communication to the Finance and Personnel Committee in 2017, detailing the Plan's experience with the newly-contracted plan administrator and the Plan's new investment line-up, including appropriate benchmark performance comparisons.

City Attorney

Drafter

MRH:

July 14, 2016