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A resolution/ordinance by Supervisor Lipscomb, Sr., to create Section 201.24(8.23) of the Milwaukee County Code of General Ordinances relating to notification of Plan Sponsors of the Employees' Retirement System of any Voluntary Correction Program filings with the Internal Revenue Service, by recommending adoption of the following:

A RESOLUTION/ORDINANCE

WHEREAS, Milwaukee County (the County) sponsors the Employees' Retirement System (ERS) of the County of Milwaukee, a defined benefit retirement plan for the exclusive benefit of its employees and beneficiaries; and

WHEREAS, the ERS must adhere to its written plan document (the Ordinances and Rules) so that it maintains its tax-qualified status as granted by the Internal Revenue Service (IRS); and

WHEREAS, it is important for a plan to maintain its tax-qualified status because a retirement plan that satisfies applicable requirements of the Internal Revenue Code enjoys favorable tax treatment; and

WHEREAS, the IRS provides retirement plan sponsors an opportunity to self-report errors in the administration of the plan through the Voluntary Correction Program (VCP), which reduces the potential for penalties if the errors were otherwise discovered via an IRS audit; and

WHEREAS, the County filed a VCP with the IRS in 2007 related to several errors in the administration of the plan; and

WHEREAS, the IRS issued their compliance statement in June 2016 and ERS finalized all corrections in December 2016, making it one of the longest open VCPs in recollection; and

WHEREAS, additional errors discovered as part of an internal 2012 audit, as well as errors discovered by the staff in the Retirement Plan Services Division, Department of Human Resources (RPS-DHR), were reported to the IRS in a supplemental VCP filing dated April 22, 2014; and

WHEREAS, the Milwaukee County Board of Supervisors (County Board) was not notified of the supplemental VCP filing until early 2017 as part of a requested report on the status of the 2007 VCP corrections; and

WHEREAS, the County Executive is reported as stating that he was unaware of the 2014 supplemental VCP filing until late 2016, as well as the Chief Human Resources Officer, DHR, who testified at the Committee on Personnel meeting held on March 10, 2017, that she too was unaware of the filing until late 2016; and

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WHEREAS, the County Executive is the appointing authority of the Chief Human Resources Officer, and RPS Director, and is expected to know about specific issues and actions involving his staff and the Department, but the County Board has no other way to be informed unless the Administration reports issued discovered and action taken; and

WHEREAS, the County Executive and County Board are plan sponsors of ERS and should be made aware of filings provided to the IRS that include errors that have been made in the operation of ERS that, if not properly addressed, could lead to the loss of tax-exempt status for the fund; and

WHEREAS, the Pension Study Commission, at its meeting of March 23, 2017, recommended adoption of File No. 17-321 to the County Board (vote 3-0); and

WHEREAS, the Committee on Finance and Audit, at its special meeting of March 23, 2017, recommended adoption of File No. 17-321 (vote 6-0); now, therefore,

BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby adopts the following:

AN ORDINANCE

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

Section 1. Section 201.24(8.23) is created to read as follows:

8.23 – Notification of voluntary correction program submissions.

The county corporation counsel, human resources director, and director of retirement plan services, jointly or separately, shall notify the county executive and county board within five (5) business days of any Voluntary Correction Program (VCP) filing with the Internal Revenue Service related to errors in the administration of the retirement system. A written report shall be submitted as a file to the county board chairman for referral to the committee on finance and audit so that the public is informed.

Section 2. The provisions of this ordinance shall be effective upon passage and publication.

srb
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