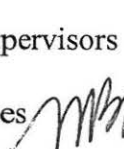




*Department of Human Resources*  
Division of Employee Benefits

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INTER-OFFICE COMMUNICATION

**Date:** September 24, 2013  
**To:** Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors  
**FROM:** Marian Ninneman, ERS Manager – Department of Human Resources   
**SUBJECT:** **Report from the ERS Manager, Department of Human Resources, requesting an amendment to Ordinance section 201.24(3.11)**

Please refer the attached resolution and ordinance amendment to the Committee on Finance, Personnel and Audit and to the Pension Study Commission.

**Background**

To comply with state law, Ordinance section 201.24(3.11) requires ERS members to contribute to ERS a percentage of their compensation to fund a portion of their pension benefits.

If an ERS member terminates employment with the County, Ordinance section 201.24(3.11)(6)(a) requires any request for a refund of accumulated employee contributions to be made within 60 days of terminating County employment.

ERS has observed several challenges in administering the terms of the current Ordinance, including:

- Some ERS members have indicated that they were unaware of the deadline and did not receive the notice in a timely manner, resulting in requests for withdrawals after the stated deadline.
  - The circumstances of the end of an ERS member's employment may prevent ERS from providing timely notice.
  - Ordinance section 201.24(3.11)(6)(a) provides no exceptions to the 60-day deadline for requesting a refund, regardless of any extenuating circumstances.
- When an ERS member requests a refund of his or her employee contributions, the member receives a refund of all assets in his or her membership account because he or she will no longer be an ERS member following the refund. However, the Ordinances do not explicitly state that all assets will be refunded in this instance.

## Proposed Amendments

To address the issues observed in administering the current Ordinance, the Employee Benefits Division, Department of Human Resources requests the following amendments to section 201.24(3.11):

- Prospectively extend the deadline for requesting a refund of accumulated contributions from 60 to 180 days following termination of County employment.
  - Extending the deadline allows the Retirement Office adequate time to distribute the written notice to all members to ensure they are aware of the refund option.
  - Extending the deadline also allows members additional time to consider all options and determine whether requesting a refund is in their best interests.
- Require that notice be sent to all terminating employees via U.S. mail or its equivalent informing members of their right to request a refund of accumulated contributions within the time period set by Ordinance section 201.24(3.11)(6)(a).
  - ERS currently sends notice of the deadline to request a refund of accumulated contributions to former employees, although it is not required. Requiring the notice will improve the consistency of, and add credibility to, ERS's current practice.
- Restrict refunds of accumulated contributions to individuals who are not vested at the time of termination.
  - Currently, Ordinance section 201.24(3.11)(6)(a) permits vested members to receive a lump sum distribution of their membership accounts upon terminating County employment. Upon receiving a distribution, the vested member forfeits **all** ERS service credit and becomes ineligible for any ERS pension benefit (e.g., a vested employee may request one year of contributions, but forfeit 10 years of service).
  - The Ordinance amendment seeks to ensure that vested members will receive a benefit from ERS upon reaching retirement by not permitting the withdrawal of their employee contributions and thereby forfeiting their ERS service credit.
- Solely for the purpose of determining eligibility for a refund of accumulated contributions, the amendment would limit the service considered when determining the member's vested status to County service only. Other governmental service credit will continue to be considered as set forth in the Ordinances for other pension benefit purposes.

- A member would not have made contributions to ERS under Ordinance section 201.24(3.11) related to service with other entities (e.g., the State of Wisconsin, City of Milwaukee or military service). Accordingly, it follows that this service need not be counted for purposes of receiving a refund of accumulated contributions.
- The Ordinance amendment would permit the Pension Board or ERS to allow members to receive a refund after the deadline set forth in Ordinance section 201.24(3.11)(6)(a) if ERS and/or the Pension Board finds that the member did not receive timely notice.
  - The member bears the burden to demonstrate to the satisfaction of the Pension Board and/or ERS that he or she did not receive notice.

Further, changes to Ordinance section 201.24(3.5) are requested as follows:

- The Ordinance amendment clarifies that upon requesting a refund of contributions, a member will receive a refund of all amounts contained in the individual's membership account. However, the Ordinance recognizes that accumulated contributions will only be refunded if requested within the requirements of Ordinance section 201.24(3.11).
  - If a member does not request a refund, the member has the ability to return to ERS-eligible employment and continue to accrue a pension benefit.
  - All assets in the membership account will be refunded upon request for a refund of contributions made under 3.11 and 3.3.
  - Following receipt of a refund of accumulated contributions, individuals forfeit any ERS service credit and are no longer ERS members. Accordingly, these individuals should no longer have assets in their membership accounts.

cc: County Executive Chris Abele  
 Amber Moreen, Chief of Staff, County Executive's Office  
 Kelly Bablitch, Chief of Staff, County Board  
 Don Tyler, Director of Administrative Services  
 Scott Manske, Comptroller  
 Paul Bargren, Corporation Counsel  
 Mark Grady, Deputy Corporation Counsel  
 Kerry Mitchell, Executive Director of Human Resources  
 Steve Cady, Fiscal and Budget Analyst, County Board  
 Janelle Jensen, Committee Clerk  
 Jodi Mapp, Committee Clerk