



Milwaukee County Retirement Plan Services

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Date: November 13, 2019

To: Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors

From: Erika Bronikowski, Interim Director, Retirement Plan Services

Subject: Informational Report Regarding the Status of 2014 Supplementary Voluntary Correction Program (VCP)

Background and Timeline

In April of 2014, Pension Board legal counsel submitted a supplemental VCP to the IRS regarding pension calculation inconsistencies and proposed correction methodologies. The 2014 VCP was a supplement to the 2007 VCP that was finalized in December 2016. After the completion of the 2007 VCP in 2016, the IRS requested an updated status of research into the 2014-reported errors from Retirement Plan Services ("RPS") with a due date of March 31, 2017. With the commencement of the Baker Tilly Agreed-Upon Procedures review in April 2017, [deletion] the IRS agreed to provide an extension to December 2017 for the status reporting of the 2014 supplemental VCP.

From February 2017 to June 2017, RPS verified and updated information in some of the categories of inconsistencies from the 2014 submission. The Pension Board updated the 2014 VCP submission with this information and resubmitted the 2014 Supplemental VCP on June 22, 2017 with the understanding that additional items may be added as a result of the Baker Tilly Agreed-Upon Procedures review. Between June 2017 and December 2017, additional inconsistencies were added to the 2014 Supplemental VCP as a result of the Baker Tilly Agreed-Upon Procedures review.

On December 20, 2017 the final version of the 2014 supplemental VCP was filed with the IRS. On August 27, 2019, a response to the 2014 supplemental VCP submission was received from the IRS which requested additional clarifying information.

Prior Reports

Because of the length of the VCP process, we have provided links to some prior Board reports for your review:

- 1/13/2017: [Summary of 2008 VCP after Completion – File 17-154](#)
- 2/22/2017: [Status of 2014 VCP – File 17-243](#)
- 3/21/2017: [Creation of 201.24 \(8.3\) – File 17-321](#)

- 4/5/2017: [Overpayment Abeyance/2014 VCP Status Update/Baker Tilly AUP Update – File 17-340](#)
- 5/5/2017: [Overpayment Abeyance/2014 VCP Status Update/Baker Tilly AUP Update – File 17-405](#)
- 6/27/2017: [Baker Tilly AUP Phase 1 Report/2014 VCP Status Update – File 17-532](#)
- 7/18/2017: [External Counsel Report on Benefit Corrections – File 17-567](#)
- 9/13/2017: [Baker Tilly AUP Phase 2 Status Update/2014 VCP Status Update – File 17-659](#)
- 12/28/2017: [Final 2014 VCP Submission – File 18-64](#)

Current Status

As stated above, the final version of the 2014 supplemental VCP was filed with the IRS on December 20, 2017 and a response from the IRS was received on August 27, 2019.

The response from IRS listed 30 clarifying questions on the 2014 supplemental VCP. Pension Board legal counsel, in consultation with Corporation Counsel's Office, and RPS have provided the clarifying information to the IRS agent. One of the identified issues from the IRS is related to the interest rate used to make overpayment and underpayment corrections.

Next Steps

If the IRS approves the proposed corrections after receiving our clarifying responses, the IRS will issue a compliance statement that reflects the corrections the Plan will make. The Pension Board and the County Board of Supervisors will be asked to approve the compliance statement. If approved, the IRS has requested signatures on the compliance statement on behalf of the County Board as well as from the Pension Board. Once approved, there will be approximately five retroactive Ordinance amendments that will be presented to the County Board for consideration and referral to the Pension Study Commission to clarify definitions and practice in Ordinance, and approximately one retroactive rule amendment that will be presented to the Pension Board. These changes are explained in Section III of the VCP and are associated with original error categories B, F, L, S, W, and Y. Please note that two Ordinance amendments (categories J and K) and one Rule amendment (category A) aimed at correcting errors were previously adopted by the County Board and the Pension Board respectively. It is possible that the IRS will request re-adoption of these amendments to provide them with retroactive effect.

After the IRS issues the compliance statement, RPS will generally have 150 days to complete the corrections. After correction, the VCP process will conclude. We are unable to verify at this time when the IRS will issue a compliance statement.

Thank you.

Cc:

Supervisor James Schmitt, Chairman, Finance and Audit Committee
Supervisor Eddie Cullen, Chairman, Personnel Committee
Chris Abele, County Executive
Julie Landry, Chief Human Resources Officer

Finance and Audit Committee

Personnel Committee

Raisa Koltun, Chief of Staff, Office of the County Executive

Teig Whaley-Smith, Director, Department of Administrative Services

Scott Manske, Comptroller

Jennifer Folliard Director of Audit, Office of the Comptroller

Steve Cady, Research and Policy Director, Office of the Comptroller

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