



# Administrative Manual of Operating Procedures

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|---|---|---------------------------------------|--|---------------------------|
| Procedure #:<br><b>02.06.04</b>   | Procedure Title:<br><b>Employee Pension Contribution Withdrawal Process</b> |                                       |  | Revision #:<br><b>1.0</b> |
| Original Issue Date:<br><b>3/10/2022</b>  | Revised Issue Date:<br><b>N/A</b>   | Next Review Date:<br><b>3/10/2024</b> | Responsible Department:<br><b>Human Resources (Retirement Plan Services)</b>   |                           |
| Statutory References:<br><b>Wis. Stat. §§ 59.875</b>  |   |                                       | Ordinance References:<br><b>MCO 201.24 (2.10), 201.24 (3.5), 201.24 (3.11)<br/>APPENDIX B - RULES OF THE EMPLOYEES'<br/>RETIREMENT SYSTEM 403, 807, 1054</b> |                           |
| Appendices:<br><a href="#">Appendix B – 02.06.04 LMS Training PowerPoint</a><br><a href="#">Appendix C – 02.06.04 Contribution Withdrawal Process Flowchart</a> |   |                                       | Forms:<br><b>N/A</b>   |                           |

## 1. OBJECTIVE:

The purpose of this procedure is to provide documentation for Milwaukee County’s Administrative Manual of Operating Procedures regarding the Employee Pension Contribution Withdrawal process, which will equip members of the Employees’ Retirement System of Milwaukee County with the knowledge of how the contributions they make to the pension plan are determined, the eligibility to receive a refund of their contributions made, and the process to withdraw the contributions made by the member. If there is a conflict between this AMOP and the Milwaukee County Ordinances and Pension Rules, the Milwaukee County Ordinances and Pension Rules, as applicable, shall control.

## 2. DEFINITIONS:

- A. Beneficiary. The person designated by the ERS member to receive their pension amount, if any, payable upon the ERS member’s death.
- B. Employees’ Retirement System (“ERS”). The defined benefit retirement system responsible for providing pension benefits to Milwaukee County Employees.
- C. Mandatory employee contributions. Each active member contributes a percentage of their compensation to the ERS to help fund any benefit they may be eligible to receive from ERS. Contributions are required by Wisconsin State Statute.
- D. Member. A current or former Milwaukee County employee who is in a position eligible to participate in the ERS. The ERS generally covers all full-time, permanent employees. Membership is automatic on day one of employment for all eligible employees.
- E. Member Compensation. All salaries and wages of a member, except for the following: overtime earned and paid, any expiring time paid (such as overtime, and holiday), injury time paid, and any supplemental time paid such as vacation or earned retirement.
- F. Normal Retirement Date. The first day of the month following the date on which the member reaches the minimum age for normal retirement. The retirement age differs based on union coverage and date of enrollment in the ERS.
- G. Pension. A series of periodic payments which are payable to a member who is entitled to receive benefits under the Milwaukee County Ordinance.
- H. Retirement Plan Services (“RPS”). The Department responsible for the general administration and operation of the Employees’ Retirement System of Milwaukee County.
- I. Service Credit. A member's period of employment with Milwaukee County used for purposes of computing their benefit. A member shall be credited with a maximum of one (1) year of service for each plan year during which they are a full-time employee with the county. Service is

prorated for partial years worked. A member shall also be granted military service credit pursuant to Ordinance section 201.24(2.10).

- J. Termination Date. A member's separation from employment; their official last workday. This day may include regular hours worked or some other type of hours as determined by the employee, their Department, and Human Resources.

### 3. OVERVIEW:

#### A. Requirement of Member Contributions by State Statute

- i. According to [Wisc. Stat. § 59.875](#), members are required to pay half of all actuarially required contributions for funding benefits under employee retirement systems. Milwaukee County, the employer, cannot pay on behalf of any member's share of the actuarially required contributions.
- ii. Enrollment into the pension is automatic and mandatory; therefore, ERS members cannot opt out of the contribution requirement or membership.
- iii. Each active member contributes a percentage of their compensation to the ERS to help fund any benefit they may be eligible to receive from the ERS. These contributions are made on a pre-tax basis, and there is a corresponding reduction in compensation actually paid to the member. When ERS receives these contributions, they are recorded in the member's Membership Account. All contributions are commingled in the pension fund.
- iv. Contributions made to the pension fund and required by State Statute are in place to help fund the pension benefit. Upon separation from Milwaukee County employment, eligible members will have an opportunity to receive a refund of those contributions (with interest) in lieu of a future monthly pension benefit.

#### B. Contribution Level

- i. On an annual basis the ERS actuary completes a valuation of the pension plan. A valuation is essentially a snapshot of how much money is needed to fund future pension benefits versus how much money the fund currently has. In the valuation, the actuary determines how much money must be contributed to the fund to pay for the benefits earned by members that year. Per State Statute, employees must help fund half of their future pension benefit through employee contributions. Each year, the actuary determines how much money needs to be contributed to the fund by both the employer and employees.
- ii. The Pension Board publishes the valuation information in the Annual Valuation report. That information along with their recommendation for the amounts needed for employer and employee contributions are provided to the County Board for the next year's budget.
- iii. During the annual budget process, the employee contribution rate is set based on the actuary's recommendation.
- iv. When employee contribution levels change, they go into effect during the second pay period of the next year in the form of pre-tax payroll deductions.
- v. A history of the last five years of mandatory employee contributions is provided in the following table:

| Year in Effect | Valuation Date | Public Safety Employees | General Employees |
|----------------|----------------|-------------------------|-------------------|
| 2022           | 1/1/2021       | 9.9%                    | 6.1%              |
| 2021           | 1/1/2020       | 9.7%                    | 6.2%              |
| 2020           | 1/1/2019       | 8.9%                    | 6.2%              |
| 2019           | 1/1/2018       | 9.5%                    | 6.5%              |
| 2018           | 1/1/2017       | 8.3%                    | 6.5%              |
| 2017           | 1/1/2016       | 8.1%                    | 6.5%              |

**C. Eligibility to Request a Refund of Contributions**

- i. Upon termination from Milwaukee County employment, most members are eligible to request a refund of their contributions (with interest) made to the ERS in lieu of a future monthly pension benefit. The following categories of members are *ineligible* to receive a refund of their contributions:
  - a. Members whose employment was terminated due to fault or delinquency on the member’s part. This is defined in [Pension Board Rule 807](#) as: the member is *“...terminated due to conduct resulting in a felony offense charge if the circumstances of the charge substantially relate to the circumstances of the member’s particular job and the member is ultimately convicted of such felony offense.”*
  - b. Members who are eligible for a monthly annuity at the time of their termination of county employment with a pension benefit over one hundred dollars (\$100.00) per month. Members who have reached retirement age with a monthly pension benefit under one hundred dollars (\$100.00) per month may receive a refund of their member contributions instead of receiving an annuity.
  - c. Beneficiaries of deceased members who are eligible to receive a monthly annuity due to the passing of a member.
    - i. A surviving spouse eligible to receive a monthly annuity due to the passing of a member at age 60 may elect to receive payment of the balance in the member’s contributions in lieu of a monthly annuity.
  - d. Members who request a refund of their contributions one hundred eighty (180) days after termination of county employment.
- ii. If a member is vested in a benefit from ERS and is otherwise eligible to request a refund, they must decide whether to receive a refund of their contributions. If a vested member withdraws their member contributions, they will forfeit all rights to a deferred vested pension and all service credits earned will be negated. No member is allowed to take both a monthly pension benefit and a refund of their contributions made to the pension fund at their retirement date. If a member withdraws their contributions and is subsequently rehired by Milwaukee County, that member must work long enough to become vested in order to retire and take a monthly pension benefit.
- iii. Even if a member is not vested in a benefit from the ERS at their termination, they are eligible to request a refund unless their termination is due to fault or delinquency on the member’s part.
  - a. If a non-vested member does not request a refund of their contributions within 180 days and if they are not reemployed by the County within five years from the date of their termination (or are otherwise absent from County employment for more than five years in a period of ten consecutive years from the date of their termination), their

service credit, and any contributions associated with that service credit, will be forfeited.

#### 4. PROCEDURE:

##### A. Contribute to the ERS While Actively Employed

- i. Enrollment in the ERS is automatic and contributions are withheld on a pre-tax basis from compensation. Additional information regarding the requirements and level of employee contributions are supplied in the previous Overview section of this AMOP.
- ii. While members are actively employed, they will receive multiple communications regarding their contributions, including but not limited to:
  - a. Notification of pension contributions during New Employee Orientation after 2015.
  - b. Description of employee pension contributions in the Employee Handbook.
  - c. Biweekly paystubs contain deductions for pension contributions.
  - d. Annual statements are mailed to each contributing member showing cumulative contributions that have been reported by payroll.
  - e. Annual communication regarding contribution rate changes is emailed to all members.
  - f. Regular education sessions and webinars include content on pension contributions.

##### B. Decision to Terminate Employment and Receipt of Contribution Withdrawal Paperwork

- i. If a member is eligible to retire from active service, the [Active Retirement Process AMOP](#) should be referenced.
  - a. Members who terminate after reaching normal retirement age and whose pension benefit is calculated to be below one hundred dollars (\$100.00) per month may receive a refund of their member contributions instead of receiving an annuity.
- ii. Members who leave the County with member contributions balances and are not retirement eligible at termination are automatically sent forms required to request a refund of their member contributions.
- iii. RPS will mail a letter with information regarding the withdrawal of the member's pension contributions shortly after the member separates from service. This will automatically be mailed once the member's termination has been entered into the HR system and RPS receives notice of it.
  - a. Generally, RPS is notified and the forms are mailed the week after payroll has issued the member's last paycheck. However, if there is any delay in the status being updated to a terminated employee, it's possible the forms could be mailed later. RPS cannot begin the process until they receive confirmation of a member's termination through the termination report from Payroll.
- iv. Members will have one hundred eighty (180) days from the date the letter is mailed to complete and return the forms to RPS if they would like to request a refund of their contributions. Due to the Ordinance section 201.24(3.11) requirement for members to request a refund within 180 days, it is important for members to keep their address information up to date with RPS during this process.

##### C. Decision to Request Refund of Contributions

- i. It is very important for members to read the entire packet to understand the implications of withdrawing their contributions. Once the forms have mailed, members have 180 days to complete and return them to RPS if they would like to request a refund of their contributions.

- ii. The following table describes what occurs when a member decides to request a refund of their member contributions, not request a refund of their member contributions, or is non-responsive within 180 days from the mailing of their contribution withdrawal paperwork. There are also differences, depending on a member’s vesting status, described in this table.

|   | Vested Member   | Non-Vested Member   |
|---|---|---|
| Member Requests Refund within 180 Days              | <ul style="list-style-type: none"> <li>- The member will receive a refund of their contributions in the form of a lump sum<sup>1</sup>.</li> <li>- Service credit<sup>2</sup> will be eliminated and they will cease to be a member of ERS.</li> <li>- Without service credit, future benefits from ERS associated with that service credit will be negated.</li> </ul> | <ul style="list-style-type: none"> <li>- The member will receive a refund of their contributions in the form of a lump sum<sup>1</sup>.</li> <li>- Service credit<sup>2</sup> will be eliminated and they will cease to be a member of ERS.</li> <li>- Without service credit, future benefits from ERS associated with that service credit will be negated.</li> </ul> |
| Member Requests not to Receive Refund within 180    | <ul style="list-style-type: none"> <li>- The member cannot receive a refund of their contributions unless they are rehired, terminate, and request the refund timely.</li> <li>- The member will retain the service credit they earned before their termination and remain eligible to receive a future benefit<sup>3</sup>.</li> </ul>                                 | <ul style="list-style-type: none"> <li>- The member cannot receive a refund of their contributions unless they are rehired within 5 years, terminate, and request the refund timely.</li> <li>- If the member is not reemployed by the County within 5 years from their termination, all service credits and contributions are forfeited.</li> </ul>                    |
| Member is Non-Responsive to Contribution Withdrawal | <ul style="list-style-type: none"> <li>- The member cannot receive a refund of their contributions unless they are rehired, terminate, and request the refund timely.</li> <li>- The member will retain the service credit they earned before their termination and remain eligible to receive a future benefit<sup>3</sup>.</li> </ul>                                 | <ul style="list-style-type: none"> <li>- The member cannot receive a refund of their contributions unless they are rehired within 5 years, terminate, and request the refund timely.</li> <li>- If the member is not reemployed by the County within 5 years from their termination, all service credits and contributions are forfeited.</li> </ul>                    |

<sup>1</sup> Members will be able to receive their contribution withdrawal as a cash payment, direct rollover, or as a partial rollover with the remainder received as a cash payment. 20% Federal and 8% Wisconsin State income tax will be withheld automatically from any cash payment. If the member does not reside in Wisconsin, no state taxes will be withheld.

<sup>2</sup> Members will not receive a pension benefit from ERS at any time in the future unless they return to County employment and become eligible to receive a benefit based only on new service credit earned after their return.

<sup>3</sup> In accordance with the Milwaukee County Ordinances and Pension Rules.

**D. Return Contribution Withdrawal Paperwork to RPS within 180 Days**

- i. Any refund of accumulated contributions must be requested and received by RPS within 180 days of the date of the contribution withdrawal letter. Since the contribution withdrawal forms are mailed to the member’s address listed in the HR system, it is important to ensure that this address information is current.
- ii. Should a member decide to request a refund of their contributions, RPS will process their request when the completed paperwork is received. Once completed contribution withdrawal forms are received, it typically takes three to five weeks for the payment to be issued.

**E. Questions**

- i. If a member does not receive the Contribution Withdrawal letter after terminating employment, or if members have any questions regarding the contribution withdrawal process, they should contact Retirement Plan Services (414-278-4207 or [ERS@milwaukeecountywi.gov](mailto:ERS@milwaukeecountywi.gov)) to determine eligibility to withdraw contributions.

**5. REVISION HISTORY:**

| <b>Rev. #</b> | <b>Summary of Changes</b> | <b>Date of Change</b> | <b>Author</b>   |
|---------------|---------------------------|-----------------------|-----------------|
| 1.0           | New Procedure.            | 3/10/3033             | Jacob Augustine |
|               |                           |                       |                 |