



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 15-0588, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF JUNE 4, 2015

COMMITTEE ON PENSION, HUMAN RESOURCES & CIVIL SERVICE

Mr. David St. Pierre, Executive Director

Authority to Amend Metropolitan Water Reclamation District of Greater Chicago Deferred Compensation Plan and Trust, effective June 4, 2015

Dear Sir:

The District has sponsored a voluntary Deferred Compensation Plan and Trust (Plan) for employees since 1977. The primary purpose of the Plan is to provide retirement income to employees of the District in accordance with Section 457 of the Internal Revenue Code. The Plan Document provides the rules that govern the operation of the Plan. The Plan Document has been revised and restated several times since it was adopted, with the most recent revisions occurring in 2007.

In 2014, the Deferred Compensation Committee (Committee) recommended that a technical review of the Plan Document be conducted to ensure that it is in compliance with all relevant federal and state regulations, including IRS guidelines, related to 457 Deferred Compensation Plans. On August 7, 2014, the Board of Commissioners approved the recommendation that the District enter into an agreement with the law firm Laner Muchin to conduct this technical review.

Laner Muchin completed its analysis of the Plan Document and submitted its recommended changes to the Committee for review in February 2015. The following is a summary of the key substantive changes that are recommended by the Committee:

Fiduciary Structure

- Section 2.03, which defines the term "Administrator," now empowers the District (Board of Commissioners), not the Committee, to select/terminate the Administrator.
- Section 2.10 adds "District" to the list of defined terms.
- Section 3.01 shifts authority over the selection of investments, selection of the Administrator and appointment/termination of advisors and consultants from the Committee to the District (Sections 2.03 and 3.03). The Committee shall make recommendations related to these matters.
- Article XIII (new) has been added to provide the District's indemnification of employees and Board members who serve as Plan fiduciaries and authorizes the Plan to purchase fiduciary liability insurance for those internal fiduciaries.

Administrative Changes

- Section 2.01 revises the definition of "Account" to provide for Roth subaccounts.
- Section 2.05 establishes a uniform Beneficiary rule that the spouse will be the automatic Beneficiary unless the Participant designates otherwise.
- Section 2.15 allows differential wage payments to those serving in the military to count as compensation in accordance with the HEART Act.
- Section 3.07 (new) establishes a benefit appeal process allowing the Committee to review a claim that has

been initially denied by the Administrator.

- Section 4.01 permits Participants to designate contributions to be treated as Roth contributions.
- Section 6.08 eliminates incoming transfers on behalf of Beneficiaries.
- Section 6.10(b) provides for In-Plan Roth conversions.
- Article VIII has been substantially rewritten, though not changed in ways that substantially affect the Participants, for technical compliance to reflect final regulations governing age 70½ minimum required distributions.

Legal Updates

- Section 2.05 revises the definition of “spouse” in recognition of same-sex marriages
- Sections 2.12 and 2.13 revise the definitions of “employee” and “employer” to re-confirm eligibility of Retirement Fund employees
- Section 2.18 revises the definition of “normal retirement age” as required by the recent IRS audit

The Deferred Compensation Committee requests that the Board of Commissioners, as Trustee for the Plan, approve the revisions summarized above and incorporated into the attached Plan Document for the Metropolitan Water Reclamation District of Greater Chicago Deferred Compensation Plan and Trust.

Respectfully Submitted, Frank Avila, Chairman Deferred Compensation Committee; Mary Ann Boyle, Treasurer; Denice E. Korcal, Director of Human Resources

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for June 4, 2015