

**CITY OF NEW ORLEANS  
EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATIVE PROCEDURE**

No.: 2009-\_\_\_\_

**Revised Effective Date:** \_\_\_\_\_

**Re:** Election and Payment  
Option Four - Supplemental Benefit

This Administrative Procedure (the "Procedure") is made and adopted by the Board of Trustees (the "Trustees") of the City of New Orleans Employees' Retirement System (the "System") as an administrative action under Section 114-86 and Section 114-221 of the Ordinances of the City of New Orleans (the "Ordinances"), which provide that the Trustees possess the authority to implement one or more optional methods of distribution, subject to the conditions set forth therein. This Procedure shall be deemed to be incorporated in the Ordinances by this reference. Capitalized terms used in this Procedure shall have the meanings set forth in the Ordinances. This Procedure is intended to amend and restate, in its entirety, the Procedure first adopted on November 9, 2005, providing for the election of the benefit described herein (the "Supplemental Benefit").

The Supplemental Benefit shall consist of three component benefits: (a) a "Single-Sum," which shall be determined and paid in accordance with paragraph 3 hereof, (b) "Installments," which shall be determined and paid in accordance with paragraph 4 hereof, and (c) an "Adjusted Annuity Allowance," which shall be determined and paid in accordance with paragraph 5 hereof.

**1. Eligibility for Supplemental Benefit Election:** Members eligible to elect a Supplemental Benefit (an "Eligible Member") shall be:

- a. Credited with not less than 30 years of creditable service;
- b. Credited with not less than ten years of creditable service and have attained not less than 60 years of age; or
- c. Credited with not less than five years of creditable service and have attained not less than 65 years of age.

For purposes of electing a Supplemental Benefit, an otherwise Eligible Member who has previously elected to participate in DROP may revoke his or her DROP election on or before the end of his or her DROP period and make an election hereunder (a "DROP Eligible Member"). The surviving spouse of an Eligible Member, including a DROP Eligible Member, shall further be entitled to make an election hereunder.

**2. Time, Manner, and Status of Election:** An Eligible Member (including his or her surviving spouse or a DROP Eligible Member) may elect to receive a Supplemental Benefit on forms provided by the System (any such electing Member or surviving spouse, an "Electing Optionee"), provided that the actual payment of benefits from the System has not yet commenced. Any such election shall:

- a. Designate the number of months of such Electing Optionee's Creditable Service, not in excess of 60, with respect to which his or her Supplemental Benefit shall be determined (his or her "Designated Months");

- b. Be irrevocable as of the date on which a payment is first made to such Electing Optionee;
- c. Constitute a waiver of any other form of retirement or survivor benefit payable from the System;
- d. If the Electing Optionee is also a DROP Eligible Member, such Member shall agree to: (i) the revocation of his or her DROP election, (ii) the forfeiture of any amount credited to his or her DROP Account, and (iii) the reduction of any benefit due hereunder by the principal amount of Member Contributions otherwise due and payable during his or her DROP period; and
- e. If the Electing Optionee is the surviving spouse of a DROP Eligible Member, such spouse shall agree to: (i) the forfeiture of any amount credited to the DROP Eligible Member's DROP Account, and (ii) the reduction of any benefit due hereunder by the principal amount of Member Contributions otherwise due and payable during the deceased Member's DROP period.

**3. Determination and Payment of Single-Sum:** Each Electing Optionee's Single-Sum shall be determined as the product of such optionee's:

- a. Aggregate Supplemental Benefit; multiplied by
- b. A whole percentage designated by such Electing Optionee, not in excess of 10%.

For this purpose, an Electing Optionee's "Aggregate Supplemental Benefit" shall be determined as the product of (a) such optionee's Designated Months, multiplied by (b) the value of his or her monthly Adjusted Annuity Allowance.

Each Single-Sum shall (a) be paid as of the first day of the calendar month after the date on which an Electing Optionee separates from service or, in the case of a surviving spouse the date on which his or her election is received and accepted by the System, or as soon as practicable thereafter, (b) be an "eligible rollover distribution" which may be directly rolled over in accordance with Section 114-222 of the Ordinances, and (c) to the extent any portion of such amount is not directly rolled over, be subject to mandatory withholding in accordance with Section 3405 of the Code.

**4. Determination and Payment of Installments:** Each Electing Optionee shall receive 119 substantially equal monthly Installments, the amount of which shall be determined as the quotient of:

- a. Such optionee's Aggregate Supplemental Benefit minus the value of his or her Single-Sum; divided by 119.

Installments hereunder shall (a) commence the first day of the calendar month following the date on which an Electing Optionee separates from service, or in the case of a surviving spouse the date on which his or her election is received and accepted by the System, or as soon as practicable thereafter, (b) be credited with actuarial interest during the installment payment period, (c) each constitute an "eligible rollover distribution," which may be directly rolled over in accordance with Section 114-222 of the Ordinances, and (d) to the extent any Installment is not directly rolled over, be subject to mandatory withholding in accordance with Section 3405 of the Code. If an Electing Optionee dies before payment of his or her Installments is completed, his or her Beneficiary shall receive any remaining payments, at the time or times such payments would have been made to the deceased optionee.

**5. Determination and Payment of Adjusted Annuity Allowance:** Each Electing Optionee shall receive an Adjusted Annuity Allowance, expressed in the form of a single life annuity with no death or survivor benefit payable to any person, determined in accordance with Section 114-202 of the Ordinances, but taking into account such Member's Creditable Service reduced by his or her Designated Months. An Electing Optionee:

- a. Other than the surviving spouse of a DROP Eligible Member, may elect the form in which such allowance shall be paid, in accordance with the provisions of Options 1, 2 or 3 of Section 114-221 of the Ordinances; provided that in no event shall a surviving spouse elect a form of annuity that provides for survivor benefits; and
- b. An Electing Optionee who is the surviving spouse of a DROP Eligible Member shall receive the form of survivor benefit designated by the deceased Member in his or her DROP election, the amount of which shall be subject to adjustment as provided herein.

**This Administrative Procedure** was adopted by the Board of Trustees of the System on September 2, 2009, to be effective as provided above.

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