

# CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM



MITCHELL J. LANDRIEU  
MAYOR

BOARD OF TRUSTEES:  
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Norman S. Foster, Treasurer  
Courtney B. Bagneris, Trustee  
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## Cost of Living Adjustment

Jesse Evans, Jr., Director

Chapter 114-135 indicates that the Board shall be authorized to retain trust earnings or gains in excess of an average 3 ½ percent, which amount may be applied to provide one or more cost-of-living increases or bonuses for members who have retired, in an annual amount not to exceed 3 percent of each such member's initial retirement allowance multiplied by each year of such member's retirement. Such benefit, if any, shall be awarded and paid only when funds are available from this source and in the manner and at the time or times determined in the discretion of the Trustees.

In accordance with the cost-of-living guidelines outlined by the ordinance, this policy further establishes the criteria for considering and granting a permanent and/or a bonus cost of living adjustment.

- **Permanent Cost of Living Adjustment** – A Permanent Cost of Living Adjustment (COLA) is an increase in the amount a member receives each month. The increase is expressed as a percentage of the retired members' original monthly benefit.
- **Bonus Cost of Living Adjustment** – A Bonus Cost of Living Adjustment (COLA) is a one-time payment made to retired members. The bonus or "13<sup>th</sup> check" is based upon the number of years a member has been retired. The formula utilized by the board may be designed to grant a larger bonus as the number of years in retirement increase. The bonus COLA shall be granted on or about December 15<sup>th</sup> if approved.

### Criteria for Permanent Cost of Living Adjustment

1. In order for the board to grant a permanent COLA, the funded ratio of the retirement system MUST be at least 85% for the year preceding the board's consideration for the upcoming year's COLA. The funded ratio is determined by the retirement system's actuary and is outlined in the annual actuarial valuation report.
2. As available funds dictate, the board may consider limiting the COLA application to a maximum dollar amount for each eligible retiree. The limits would allow for a percentage increase in benefits on the first \$10,000, \$20,000, or \$30,000 only. For *example*, if a member has an annual benefit of \$30,000 and the board grants a 1% permanent COLA with a \$10,000 limit, the member will receive an annual increase of \$100 or \$8.33 per month.

3. The Board may consider other factors when deciding on granting a permanent COLA including but not limited to the length of time since the last permanent COLA was granted, changes in the Consumer Price Index (CPI), the financial impact the permanent COLA may have on the plan sponsor's ability to meet its contribution responsibilities, natural disasters such as hurricanes and floods, and the fund's historical investment returns.

**Criteria for Bonus Cost of Living Adjustment**

1. The fund is recommended to be at least 75% funded for the year preceding the Board's consideration of a bonus in order for a bonus COLA to be granted in the current year.
2. The board may consider a graduated COLA formula for eligible retirees. The formula adopted would grant a larger bonus to those retirees with a greater number of years in retirement. An *example* of an acceptable formula would be \$10 for each in retirement for those members who have 1-10 years in retirement. In addition, those members who have been retired for 10 -20 years would receive an additional \$20 for each year in retirement for those years greater than 10 and up to 20 years. Lastly, those who have been retired more than 20 years would receive an additional \$40 for each year in retirement in excess of 20 years.
3. The Board may consider other factors when deciding on granting a bonus COLA including but not limited to the length of time since a COLA of any type was granted, changes in the Consumer Price Index (CPI), the financial impact the bonus COLA may have on the plan sponsor's ability to meet its contribution responsibilities, natural disasters such as hurricanes and floods, and the fund's historical investment returns.

**Approval**

All COLAs (permanent or bonus) must be approved by the full board and may not exceed the three percent (3%) limit in any one year as outlined in chapter 114-135.

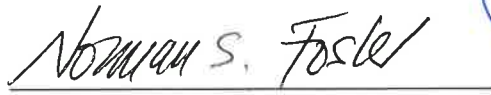
**Board of Trustees**



Marina M. Kahn, Trustee



Courtney B. Bagheris, Trustee



Norman S. Foster, Treasurer



Lisa M. Hudson, Vice Chairperson



Edgar L. Chase, III, Chairman

Approved September 23, 2015