



City of Austin Employees' Retirement System

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Board Approved Policy

Policy: Q - 1


Subject: Qualified Domestic Relations Orders

Review Committee: Goals and Objectives

Date Implemented: March 23, 2004

Date Revised or Reviewed: June 21, 2005

Printed Name of Chairperson: Dennis Waley

Signature of Chairperson:  _____

I. PURPOSE AND SCOPE

This policy establishes guidelines with respect to Qualified Domestic Relations Orders authorized by Chapter 804, Texas Government Code.

A "Qualified Domestic Relations Order" (QDRO) is a legal instrument which provides for the redirection of a portion of COA ERS benefits from a COA ERS Member (or "Participant") to another person (the "Alternate Payee"). A QDRO may be in conjunction with a divorce or the support of a minor child.

II. REQUIREMENTS FOR QUALIFIED DOMESTIC RELATIONS ORDERS RELATED TO DIVORCE

- A. The Executive Director will establish, in consultation with the General Counsel, one or more model QDRO forms. The model form(s) will be provided to assist in the development of individual QDROs acceptable to the System, but will not be mandatory provided that the required provisions of the model QDRO form are included. Any QDRO found by the Executive Director to meet the requirements of Chapter 804 and this Policy may be approved by the Executive Director. A copy of the final divorce decree may be required in addition to the proposed QDRO. All proposed QDROs will be reviewed by the General Counsel and will become effective only upon final approval by the Executive Director.
- B. QDROs may be approved and paid either in the form of a lump-sum payment or as a portion of the benefits otherwise payable to the Participant under the Plan.
- C. **Lump-Sum Disbursement** - The following are applicable to QDROs that provide for a lump-sum payment:
 - 1. **Specified Lump-Sum Less Than Participant's Deposits**
 - a. If the lump-sum amount does not exceed the amount of Participant's contributions plus accumulated interest on deposit with the System at the time the QDRO is approved, the lump-sum amount will be paid to the Alternate Payee as soon as administratively feasible.
 - b. Upon approval of a QDRO providing for payment of a lump-sum amount that is less than the amount of Participant's contributions plus accumulated interest then on deposit with the System, the lump-sum amount shall become an asset payable by the System to the Alternate Payee. Such amount shall be segregated from the Participant's account and paid to the Alternate Payee as provided in this Policy. In the event of the Alternate Payee's death, when payable, the amount will be paid to a beneficiary designated by the

Alternate Payee on a Beneficiary Designation Form filed with the System or, if none, the Alternate Payee's estate.

2. Specified Lump-Sum Greater Than Participant's Deposits

- a. A QDRO should not award a lump-sum amount that exceeds the Participant's contributions plus accumulated interest on deposit with the System.
- b. If a QDRO purports to award Alternate Payee a lump-sum amount greater than the amount of the Participant's contributions and accumulated interest on deposit with the System, the lump-sum will not be paid as a lump-sum unless the Participant thereafter voluntarily terminates membership by withdrawal of deposits prior to retirement. However, in that event, the amount of the lump-sum to the Alternate Payee may not exceed the amount of the Participant's contributions and accumulated interest.
- c. If the lump-sum amount is not paid and the Participant retires, the lump-sum amount will be converted to the actuarially equivalent proportionate amount of the periodic payments payable to the Participant as a retirement benefit, as determined by the actuarial consultant to the System (see Section D. below).
- d. Upon approval of a QDRO that provides for the payment of a lump-sum amount that is greater than the amount of Participant's contributions plus accumulated interest then on deposit with the System, the lump-sum amount shall not become an asset payable by the System to the Alternate Payee. Such amount shall not be segregated from the Participant's account but shall be paid to the Alternate Payee only as provided in and subject to this Policy.

3. Participant's Retirement Benefit

If a lump-sum payment is made, the Participant's benefits will be reduced and any subsequent retirement annuity will be reduced in an actuarially equivalent amount as determined by the actuarial consultant to the System.

4. Lump-Sum Distribution After Retirement

A QDRO providing for a lump-sum distribution will not be approved after the retirement of the Participant.

- D. **Retirement Benefit** – An approved QDRO may award the Alternate Payee a portion of any benefits payable with respect to Participant and which Participant

may be entitled to receive under the Plan by way of any annuity that may become payable as a result of Participant's participation in the Plan. The Participant's benefits will be reduced in an actuarially equivalent amount as determined by the actuarial consultant to the System.

- E. **Death of Participant and/or Alternate Payee** - If the Participant dies prior to termination of membership or retirement, no amount will be paid to the Alternate Payee unless the Alternate Payee is designated as a beneficiary on a Beneficiary Designation Form executed and filed with the System by Participant. If Participant dies after retirement, any amounts then being paid to the Alternate Payee will terminate and be paid to the Participant's designated beneficiary (which may include the Alternate Payee if so designated by Participant on a Beneficiary Designation Form). Upon Alternate Payee's death, all remaining benefits are paid to the Participant or his/her designated beneficiary.

III. REQUIREMENTS FOR QUALIFIED DOMESTIC RELATIONS ORDERS RELATED TO CHILD SUPPORT

Any QDRO for support of a dependent child which meets appropriate legal requirements may be approved by the Executive Director.