

Divorce & IPERS Benefits

Qualified Domestic Relations Orders



IPERS[®]

Divorce & IPERS Benefits

Qualified Domestic Relations Orders

Divorce can affect IPERS benefits. If you are divorcing, this brochure contains important information for you.



This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available on the IPERS website.

QDROs and IPERS' Role

A Qualified Domestic Relations Order (QDRO) is a special court order individuals obtain following a divorce proceeding that specifies how their pension assets will be divided. It is not an alimony award.

A QDRO is not necessary in every divorce. If you and your former spouse can agree to divide other marital property equitably, then you may not need to divide IPERS benefits or submit a QDRO.

An IPERS QDRO is a court order. If an order has not been signed by a judge and filed in accordance with applicable laws and procedures, the order may be a domestic relations order, but it will not be an IPERS QDRO. An IPERS QDRO must satisfy the requirements of Iowa Code section 97B.39 and 495 IAC 16.2 (97B). The person who is awarded a share of your IPERS benefit is referred to as an “alternate payee.”

What Is IPERS' Role?

- IPERS provides IPERS benefits to you and the alternate payee according to the terms of the QDRO and applicable tax laws.
- IPERS does not represent either party and cannot give legal advice to you or the alternate payee.

As you begin to prepare a QDRO, it is a good idea to use IPERS' Model QDRO, which is available on www.ipers.org on the Members Forms page as part of IPERS' QDRO Instruction Packet. The Model includes mandatory and optional provisions, a summary of the legal requirements, and many practical tips on how to draft an IPERS QDRO. Use of the Model and guidelines therein will help speed up IPERS' review of your proposed QDRO and, later, acceptance of your final order for qualification.

Effect of QDROs on IPERS Benefits

An IPERS retirement benefit is generally dependent on four factors:

- Age at retirement
- Quarters of covered employment
- Highest average salary
- Classification as a Regular or Special service member

IPERS retirement benefits are paid as a monthly, lifetime annuity. IPERS offers various benefit payment options. For more information, see the “Ready to Retire?” booklet or the Member Handbook available on the IPERS website at www.ipers.org.

Shared Payment Methods

IPERS accepts only a “shared payment” method for dividing benefits. That means the actual benefit payments made to the member and alternate payee (and if applicable, payments to beneficiaries) are split. The alternate payee cannot receive any payments until the member begins to receive payments. If the member is already retired, the alternate payee may begin to receive a share of the benefit after the QDRO is accepted by IPERS.

IPERS does not have the ability to value the member’s account and divide it into two separate accounts. Accordingly, a QDRO cannot give an alternate payee the right to receive a portion of the member’s accrued retirement benefit at a time or in a form different from those elected by the member.

The Model suggests three methods of dividing a member’s benefit (all considered “shared payment” methods):

- The straight percentage method
- The service factor method*
- The sum-certain method

Please review these paragraphs in the Model, and if you have further questions, contact IPERS’ QDRO Administrator at 515-281-7623.

*If you choose the service factor method, here’s how the factor is calculated:

$$\frac{\text{Quarters of IPERS-covered employment during the marriage period or a number that is agreed upon}}{\text{Total quarters of IPERS-covered employment used in calculating benefits}} \times \text{\%}$$

IPERS Does Not Provide Present Value Calculations

IPERS does not provide lump-sum present value calculations of the member’s accrued retirement benefits. The parties may stipulate the value of pension benefits that will be treated as marital property, or obtain a present value calculation from an independent expert. IPERS will accept reasonable requests for information to use in preparing these calculations.

Updating Beneficiary Information

Beneficiary Designation

If the member is still legally married, the member cannot change beneficiaries without the written consent of his or her spouse.

After a QDRO that divides death benefits has been filed and accepted by IPERS, the member may be able to designate a new beneficiary for the member's portion of death benefits by completing a new *Enrollment/Beneficiary Designation* form.

The member would first designate the alternate payee as a beneficiary and indicate that benefits are being or will be paid according to the terms of the QDRO. Sample language is provided on the back of the form. Other beneficiaries could be designated for the remaining benefits.

It is possible that the member may be unable to change beneficiaries depending on the terms of the QDRO.

IPERS Does Not Write QDROs

You or your attorney should contact IPERS when drafting your QDRO. IPERS can review your proposed QDRO to help ensure it can be administered as intended. IPERS will prepare a checklist indicating how IPERS will interpret the proposed QDRO.

IPERS encourages you or your attorney to use IPERS' Model QDRO and submit the draft to IPERS' QDRO Administrator with the required *Administrative Rule Compliance for QDROs* form.



Avoiding Common QDRO Mistakes

You and your attorney can avoid the most common mistakes by keeping these points in mind:

- IPERS is a governmental plan not subject to the Employee Retirement Income Security Act (ERISA). A QDRO tailored to meet ERISA requirements submitted to IPERS will be rejected without review.
- You and your attorney must thoroughly review all available IPERS background material.
- You and your attorney should request current benefits statements and pension estimates from IPERS to show your available benefits.
- Always use standard, unambiguous terms and formulas for dividing benefits.
- Carefully review all the optional paragraphs for possible inclusion in the QDRO. If your QDRO does not address an optional paragraph (for example, dividends or death benefits), the alternate payee has no right to that payment.
- Consider placing limits on the specific benefit payment options that can be chosen when the member retires, because some of the options could preclude the full implementation of the divorce decree. For example, the alternate payee may be precluded from receiving death benefits if the QDRO permits the member to choose a refund or a retirement option with no death benefit.
- Consider whether the QDRO should divide death benefits. If death benefits are not addressed in the order, the alternate payee has no right to any share of death benefits.
- A QDRO cannot require IPERS to make benefit payments in a manner not permitted under IPERS' rules.
- Ask your attorney to contact IPERS' QDRO Administrator to review your proposed draft QDRO for preapproval. This will help the parties avoid prohibited terms and conditions.

Commonly Asked Questions

How can my IPERS benefit be divided in a QDRO?

There are three basic methods of dividing a member's IPERS account in a QDRO:

- Straight percentage method
- Service factor method
- Sum-certain amount method

See the Model QDRO (available on the IPERS website) for more information.

Does IPERS maintain a separate account for the alternate payee after the QDRO is filed and accepted?

No. Under a shared payment method, the member's account cannot be subdivided.

When will an alternate payee receive his or her share of an IPERS benefit?

The alternate payee receives payment of his or her portion of IPERS benefits at the same time as the member (or beneficiaries).

Can I change my beneficiary before I'm legally divorced?

You will need your spouse's consent to change your beneficiary before you are legally divorced. If your spouse will provide his or her consent, you can change your beneficiary. Otherwise, once you are legally divorced you may update your beneficiary information. For more information, review Iowa Code section 598.20B.

Can IPERS' General Counsel Office draft a QDRO for the parties?

No, IPERS' general counsel office only reviews QDROs and will let you know how they will be interpreted. You must work with your attorney to draft your QDRO. Be sure to have your attorney review the Model QDRO and submit the required *Administrative Rule Compliance for QDROs* form.

Is a QDRO always necessary in cases of divorce?

No. If you and your spouse mutually agree that the value of your IPERS benefit can be offset by other marital property, your IPERS retirement benefit may remain entirely with you, and a QDRO will not be needed.

About the IPERS Plan

IPERS Is a Government Plan Not Subject to ERISA

IPERS does not accept ERISA-tailored QDROs. To facilitate the approval of a QDRO, you or your attorney should contact IPERS before drafting a QDRO.

IPERS is a “defined benefit” retirement plan. Being a defined benefit plan means IPERS uses a set formula to calculate benefits when a member retires. Dividing such a benefit involves more complexity than dividing accounts maintained under defined contribution plans, such as IRAs or 401(k)s.



QDRO Checklist

You or your attorney should contact IPERS before drafting your QDRO to obtain IPERS' QDRO Instruction Packet. The packet is available on the IPERS website at www.ipers.org on the Members Forms page.

IPERS is a governmental pension plan exempt from ERISA, the federal law that governs the division of pension benefits for private sector plans. IPERS' QDRO requirements are different from those of ERISA-mandated plans, so it is important for your attorney to understand and follow IPERS' QDRO rules.

- Request a benefit estimate.**
This estimate will be helpful when drafting a QDRO. The estimate shows available benefit payment options and estimated benefit amounts.
- Update your beneficiary** after the QDRO is finalized and approved by IPERS. See page 3 for more information.
- Ask IPERS to review your proposed QDRO** before taking it to court to make sure it can be administered. The proposed QDRO can be faxed to 515-281-0045, Attention: QDRO Administrator.
- Call us with questions** at 515-281-0020 or toll-free at 1-800-622-3849 and ask for the QDRO Administrator.

The IPERS Pension Plan vs. Defined Contribution Plans:

What's the Difference?

	IPERS <i>(Defined Benefit Pension Plan)</i>
Guaranteed Benefit	YES. Your benefit is guaranteed for life, no matter how long you live, and no matter how the investments perform.
Monthly Benefits	STABLE. Your benefit amount is determined by a formula based on your years of service and your average salary. Once determined, your benefit amount will not change.
Vesting	100% in your contributions. Once you become vested, you gain access to a greater percentage of your employer's contributions with each year you contribute to IPERS. Requirements for becoming vested changed 7/1/12, to 7 years of service, or when you reach age 65 while in IPERS-covered employment.
Disability Benefits	YES. IPERS provides disability benefits if you meet certain qualifications.
Death Benefits	YES. IPERS provides pre- and postretirement death benefits. Beneficiaries can roll over IPERS death benefits to qualified retirement plans.

401(k)s, 403(b)s, and Others

(Defined Contribution Plans)

NO.

The amount of your benefit fluctuates depending on the amount you have in your account and how your investments perform. Your account balance can reach \$0.

UNPREDICTABLE.

Your benefit is based on your contributions, any employer contributions, and any investment earnings or losses (minus any withdrawals or loans received).

100% in your contributions.

Vesting in your employer's contributions varies by the employer (plan sponsor). For example, some plans allow a gradually increasing percentage of vesting for several years before you reach 100 percent.

NO.

Defined contribution plans do not usually provide disability benefits.

YES.

Your account balance will transfer to your beneficiary(ies) when you die.

Questions? *Contact us.*

www.ipers.org

info@ipers.org

515-281-0020

1-800-622-3849 (toll-free)

7:30 a.m.–5 p.m. Central Time
Monday–Friday

Fax: 515-281-0045
(QDRO Administrator)

MAILING ADDRESS

Iowa Public Employees'
Retirement System
P.O. Box 9117
Des Moines, IA 50306-9117

OFFICE HOURS

8 a.m.–4:30 p.m. Central Time
Monday–Friday
7401 Register Drive
Des Moines, IA 50321



Working Today for Your Tomorrow

Alternative formats of this publication are available on request.