

Glossary of QDRO Terms

Prepared by:
Amy Rypins, CPA, Esq.
Law Offices of Amy Rypins

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GLOSSARY OF QDRO TERMS

Accrued Benefit - The benefit the participant has earned under the plan.

Actuarially Equivalent - Having the same value as of a given date using the same assumptions.

Alternate Payee - A participant's spouse, former spouse, child, or other dependent that, under a Qualified Domestic Relations Order, has a right to receive all, or a portion of, the participant's pension benefits under a plan.

Annuity - A form of benefit in which payments are made at regular intervals for a specified period of time. The most common form of annuity pays monthly benefits for life.

Beneficiary - The person named to receive benefits upon the death of a participant or alternate payee.

Contingent Alternate Payee - An Alternate payee whose benefit is contingent upon the death of another alternate payee or some other event.

Cost of Living Adjustment (COLA) - Under most Defined Benefit Plans, the Plan will from time to time after the parties begin to receive benefits, increase the monthly benefit to adjust for inflation. Under California law the Former Spouse is entitled to their pro rata share of these Cost of Living Adjustments unless they are specifically waived by the Former Spouse.

Date of Dissolution - This is the date that the dissolution becomes final.

Date of Division of Account - For Defined Contribution Plans Only. For purposes of a QDRO this is usually the date of separation unless another agreement has been reached between the parties. Normally, the Former Spouse would then be entitled to participate in gains and losses on the amount determined at Date of Division until actual distribution to the Former Spouse.

Date of Hire - This is the date that the Participant began working for the employer. This date may be before date of marriage of the parties.

Date of Separation - This is the date that is used in the dissolution as the legal date of separation.

Defined Benefit Plan - A Defined Benefit Plan is one that provides a specific pre-determinable amount of benefits to a participant at that individual's projected date of retirement. Normally, the benefits are based upon a formula that incorporates the participant's projected years of service and final average compensation. This type of plan is what most people consider a "traditional" pension plan. It is more often found in large companies than small companies.

Defined Contribution Plan - A Defined Contribution plan is one that provides for contributions directly to individual accounts established and maintained for each plan participant. The contributions may consist of either employee or employer contributions, or both. The participant is generally entitled to receive the account balance (together with any interest accrued thereon, as well as investment gains and/or losses) when the employee retires or otherwise terminates employment with the company. There are several types of defined contribution plans, including profit sharing plans, thrift plans, 401(k) plans, retirement savings plans, stock bonus plans, and employee stock ownership plans (ESOPs).

Domestic Relations Order - Any judgment, decree, or order (including approval of a property settlement agreement) that (1) provides child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participant, and (2) is made pursuant to a state domestic relations law.

Earliest Retirement Age - For purposes of the QDRO rules, earliest retirement age is the earlier of (1) the date the participant is entitled to a payment of benefits under the plan, or (2) the later of (a) the date the participant reaches age 50 or (b) the earliest date the participant could begin to receive benefits if he or she no longer worked for the company.



Early Retirement Subsidies - Employers offer Early Retirement Subsidies or other Retirement Enhancements. Under California law the Former Spouse is entitled to these Enhancements unless they are specifically waived by the Former Spouse.

Fixed Dollar Amount - You may have an agreement between the Participant and the Former Spouse as to a fixed dollar amount of the benefit that should go to the Former Spouse.

Fixed Percentage - You may have an agreement between the Participant the Former Spouse as to a fixed percentage of the benefit that should go to the Former Spouse.

Guaranteed Benefits - The amount of pension benefits insured by the Pension Benefit Guarantee Corporation (PBGC)

Government Employer - This would apply to any governmental employer with the exception of the Military.

Gross Annuity - Under the Federal Plans this is the amount of monthly annuity payable after reducing the self-only annuity to provide survivor annuity benefits but before any other deductions. It also includes lump sum payments, if any, made to the retiree under section 8343a or 8420a of Title 5, United States Code, unless the court provides otherwise.

Joinder - During the dissolution proceedings it is possible that the retirement plan was "joined" as a party in the dissolution. This is done to provide the retirement plan with notice that there is a potential claim against the retirement funds by the Alternate Payee. If the Plan was joined there will be a filing with the court that is date stamped by the Court.

Joint and Survivor Annuity - An annuity that pays benefits over the recipient's lifetime and over the lifetime of the person named as beneficiary.

Life Expectancy - The number of years a person is expected to live, on average, after a given age.

Lump Sum - A form of benefit payment in which the entire benefit is paid at one time.

Method of Division - There are two ways to determine the amount of money to be distributed to the Former Spouse under a QDRO in a Defined Contribution Plan. A percentage of the account can be used, or an actual dollar amount. When a percentage of the account is used, normally the Time Rule is utilized to determine what percentage of the account the Former Spouse will get. The Time Rule is computed as follows:

Number of months during marriage participant was in the Plan through date of division, divided by the Total number of months participant was in the Plan through date of division

This fraction will give you the approximate community property share of the account. IF you want an exact amount of the community property share that computates the actual timing of the gains and losses in the account, you would need an actuary or accountant to do this calculation. This amount would then be divided in two to determine how much the Former Spouse is entitled to at date of division.

Military Employer - This would apply to any Non-Civilian Military Personnel. Civilian Military Personnel are considered Non-Military Government Employees.

Net Annuity - Under the Federal Plans this is the amount of monthly annuity payable after deducting from the gross annuity any amounts (1) owed by the retiree to the United States; (2) deducted for health benefit premiums; (3) deducted for life insurance premiums; (4) deducted for Medicare premiums; (5) property withheld for Federal Income tax purposes; (6) property withheld for State income tax purposes. It includes lump sum payments, if any, made to the retiree under section 8343a or 8420a of Title 5, United States Code, unless the court provides otherwise.

Normal Retirement Age - The age at which a participant can retire under the plan and receive a full pension benefit. In most cases, the normal retirement age will not be greater than 65 years of age.

Participant - A member of a pension plan. A participant is said to participate in or be covered by the plan. The Participant is the spouse whose retirement plan you are dividing. The spouse that is to receive benefits under the QDRO is the Alternate Payee.

Petitioner - The Petitioner is the party that initiated the dissolution proceedings.



Plan Administrator - The person or persons who administer the plan. Sometimes the Plan Administrator is the employer; sometimes it is a third party. If the name of the administrator is not in the plan document, the employer is considered to be the plan administrator. You can also obtain this information from Retirement Plan Statements, a Summary Plan Description, or a telephone call to the Retirement Plan or the Employer.

Private Employer - This would be any employer that is not a government entity. This would also apply to those that are self-employed.

Qualified Domestic Relations Order (QDRO) - A QDRO is a domestic relations order that gives an alternate payee the right to receive all or a portion of the benefits payable to a participant under the plan, and meets certain other legal requirements with respect to the information and benefits involved.

Qualified Joint and Survivor Annuity (QJSA) - A Qualified Joint and Survivor Annuity, (QJSA) is a joint and survivor annuity where (1) the participant receives a definite amount of money at regular intervals for life, and (2) after the participant dies, the surviving spouse receives a definite amount of money (not less than 50% or more than 100% of the participant's amount) at regular intervals for life. The Former Spouse may be designated as the Surviving Spouse and therefore the beneficiary of the Surviving Spouse Annuity. When a QJSA is elected by the Participant the monthly retirement benefit will be lower to pay for the Surviving Spouse's benefit, since the Plan will have to pay money over the lifetime of both the Participant and the Surviving Spouse. This benefit can be paid for by the Participant, Former Spouse or both.

Qualified Preretirement Survivor Annuity (QPSA) - A QPSA is a benefit that is paid to the named beneficiary in the event that the Participant dies before retirement benefits have commenced. If this option is not selected the Former Spouse may forfeit all retirement benefits if the Participant dies before the Former Spouse commences benefits.

Retirement Enhancements - Employers offer Early Retirement Subsidies or other Retirement Enhancements. Under California law the Former Spouse is entitled to these Enhancements unless they are specifically waived by the Former Spouse.

Self-only Annuity - Under the Federal Plans, this is the amount of monthly recurring payment to a retiree who has elected not to provide a survivor annuity to anyone. Unless the court order provides otherwise, it also includes lump sum payments, if any, made the retiree under Section 8343a or 8420a of Title 5, United States Code.

Single Life Annuity - An annuity that pays benefits over the Participant's lifetime - also known as a straight-life annuity. Once the Participant dies, there are no further annuity payments.

Spouse - Husband or wife as determined under applicable state law. A QDRO can provide that the participant's former spouse be treated as the participant's spouse.

Spousal Consent - A spouse's agreement to allow the participant to waive the QPSA or elect a form of benefit other than QJSA.

Survivor Benefit - The benefit a survivor receives after the participant dies.

Temporary Life Annuity - An annuity that pays benefits over the shorter of the recipient's life or a specified period.

Time Rule - This formula can be used to determine the community property share of benefits in both a defined contribution plan and a defined benefit plan. The Time Rule is computed as follows:

Number of months during the marriage participant was in the Plan through determination date, divided by the Total number of months participant was in the plan through determination date. This fraction will give you the community property share of the benefit. This amount would then be divided in two to determine how much the Former Spouse is entitled to at determination date.

Determination date can be either, Date of Separation, Date of Dissolution, Date of Retirement, Date of Division, or some other date agreed upon by the parties.

Value - The actuarially estimated amount needed at a point in time to provide monthly benefits in the future. Value depends on the amount of the monthly benefit payment, when the benefit payments start and stop, age(s) of the recipient(s), mortality assumptions, and interest assumptions. Also referred to as "present value" or "actuarial present value."

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