

Divorce & **MFPRSI Benefits**

Marital Property Orders

A divorce can affect your MFPRSI benefits. If you are divorcing, this brochure may contain important information for you.



MFPRSI

MUNICIPAL FIRE & POLICE
RETIREMENT SYSTEM OF IOWA

Divorce & MFPRSI Benefits

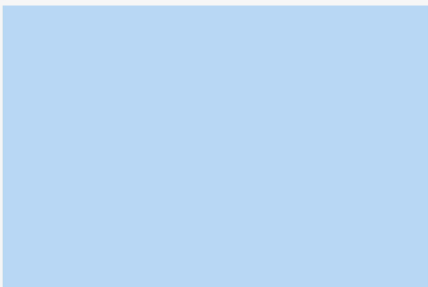
Marital Property Orders

As a member of the Municipal Fire & Police Retirement System of Iowa you are provided a fixed, pre-established benefit at the time of your retirement. MFPRSI is considered a defined benefit plan meaning simply that your future pension payments have already been “defined” using a formula that utilizes your age and years of service at retirement, the benefit option you select, and the average of your highest three years of earnable compensation.

Your retirement benefit from MFPRSI may be considered “marital property.” If you have been married at any time while an active member of MFPRSI and are considering divorce, your spouse may be legally entitled to receive a portion of your retirement benefit.

This brochure is designed to give you and your legal representative a better understanding of how your MFPRSI retirement benefit may be divided in a divorce proceeding.

The content of this brochure should not be considered legal advice. Please consult your legal representative regarding your legal rights during a divorce.



QDROs, MPOs, and MFPRSI

As a public pension system, MFPRSI is not subject to the Qualified Domestic Relations Order (QDRO) provisions of the Internal Revenue Code nor is it subject to the Employee Retirement Income Security Act of 1974 (ERISA), a federal law that establishes retirement and health standards for individuals participating in private pension systems.

MFPRSI recognizes valid domestic relations orders relating to the division of marital property including the member's accrued benefit under MFPRSI. These orders are called Marital Property Orders (MPO). The person who is awarded a share of your MFPRSI benefit is called an "alternate payee."

An MPO is not necessary in every divorce and is dependent on how you and your former spouse agree to divide marital property. However, if your divorce decree or stipulation divides your 411 benefits, an MPO will be required prior to the distribution of benefits.

MPOs must satisfy the requirements in Iowa Code 97B.39 and Iowa Code 411.13. If an MPO does not follow the requirements listed in both statutes, or if it has not been signed by a judge and filed in accordance with applicable laws and procedures, MFPRSI will not adhere to the order.

As you prepare an MPO, you should refer to MFPRSI's Sample Marital Property Order form that can be found on our website, www.mfprsi.org. This form provides precise and acceptable language that should be used to guide the drafting of your MPO. Additionally, this form includes the requirements of MFPRSI's Administrative Rule 12.10.

This brochure provides a high-level overview of the MPO process. It should be used in conjunction with the sample MPO form mentioned above. Following the sample MPO language will help speed up MFPRSI's review of your proposed MPO, and later, approval of your final order.

What is MFPRSI's Role?

- MFPRSI will provide benefit payments to you and your alternate payee according to the terms of the MPO and applicable laws and regulations.
- MFPRSI will not compose your MPO. This should be done by your legal representation.
- MFPRSI will, upon request, review draft MPOs for issues.
- MFPRSI does not represent either party and cannot give legal advice.

Effect of MPOs on MFPRSI Benefits

MFPRSI is a defined benefit plan, meaning a set formula is used to determine your benefit level which is dependent upon the following:

- Your age and years of service;
- The benefit option you select; and,
- The average of your highest three years of earnable compensation.*

The total of what MFPRSI may pay to you and your alternate payee is the total sum of what you earned as part of your retirement calculation. Your alternate payee may not receive benefit payments until you, the member, begin to receive payments. If you are already retired, your alternate payee may begin to receive benefit payments once the MPO is approved by MFPRSI. Also, the MPO may only award the alternate payee in accordance with the form of benefit you selected at retirement.

*Earnable compensation includes only your regular salary that is earned as a firefighter or police officer with a city participating in the retirement system. Pay that is not considered to be part of your regular salary are not included in your retirement benefit calculation. For a list of exclusions, visit www.mfprsi.org and view our Member Handbook or the Nearing Retirement pamphlet.

Beneficiary Designations

If you are still legally married, you cannot change beneficiaries without the written consent of your spouse. If you need to change your beneficiary, visit www.mfprsi.org to obtain a Beneficiary Designation Form.

Iowa Supreme Court Ruling on Chapter 411 Benefits and MPOs:

On November 19, 2021, the Iowa Supreme Court issued a decision in a case involving a dissolution of marriage, where one former spouse was receiving an ordinary disability benefit under Chapter 411 (*In re the Marriage of Matthew Tait Miller and Karri Ann Miller*).

The Iowa Supreme Court concluded that a Chapter 411 disability benefit is income rather than marital property, and therefore, it cannot be divided pursuant to a marital property order. Instead, a Chapter 411 disability benefit is an income replacement and must be considered for purposes of child support and spousal support determinations.

Sample MPO Formula

$$\frac{\text{Years of Service During Marriage}}{\text{Total Years Accrued Benefits}} \times 50\% \times \text{Benefit} = \text{Alternate Payee Benefit}$$

- Often referred to as the “service factor” or “marital portion.”
- Should be based on **YEARS** of service.

Example: MPO Calculation on Service Retirement

William and Jasmine are getting divorced. William, while married, is retired from a career as a police officer for a city in Iowa participating in the Chapter 411 retirement system for 22 years. The marriage lasted from January 1, 2010 to December 31, 2020. The marital property order, or MPO, states Jasmine is entitled to 50 percent of William’s benefit multiplied by a formula where the numerator is the number of years the couple was married while William was a member of MFPRSI and the denominator is the total number of years William was a member of MFPRSI prior to drawing benefits. William’s monthly benefit is \$1,400. What amount is Jasmine to receive following the stipulations of the MPO?

Formula:

	11 / 22	MPO-stipulated formula (Number of years couple was married while William was a member / Number of years William was a member prior to drawing benefits)	
x	50%		MPO-stipulated percent
x	\$1,400		William’s monthly benefit
	\$350	Jasmine’s monthly benefit as directed by the MPO	

The number of years between January 1, 2010 to December 31, 2020 is 11.

MPO - Common Issues

- MPO not finalized at time of divorce.
 - Can delay future benefit payments.
 - Create difficult situations if member dies in active service.
- Draft MPO not approved by MFPRSI.
- Marital Proportion or Service Factor not defined.
- The Benson Formula may be used, but details must be provided.
- Increase in benefits after retirement (i.e., COLA) is not addressed.
- Conflicting language.
- Confusing MFPRSI (DB plan) with a DC plan (see expanded explanation on page 7).

Defined Benefit (MFPRSI) vs. Defined Contribution

Employer-sponsored retirement plans fall into two major categories: defined benefit plans and defined contribution plans. Defined benefit plans provides a specified payment amount in retirement while a defined contribution plan allows employees and employers, if they choose, to contribute and invest funds over time.

MFPRSI is a defined benefit plan and a member's pension income is guaranteed for the life of the member.

Defined Benefit

$$\begin{array}{ccccc} \text{Average} & & \text{Service} & & \text{Lifetime} \\ \text{Monthly} & & \text{Multiplier} & = & \text{Monthly} \\ \text{Compensation} & \times & & & \text{Benefit} \end{array}$$

Total plan value is dependent on future retirement dates and mortality.

Defined Contribution

$$\begin{array}{ccccc} \text{Employer} & + & \text{Employee} & + & \text{Investment} & = & \text{Total Plan} \\ \text{\$\$} & & \text{\$\$} & & \text{Earnings} & & \text{Value} \end{array}$$

Total plan value can be determined on any given day.