

Municipal Fire & Police Retirement System of Iowa (MFPRSI)

Iowa State Bar Association Presentation

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Defined Benefit vs Defined Contribution

Defined Contribution

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

Total plan value can be determined on any given day.

Defined Benefit Plan

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

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

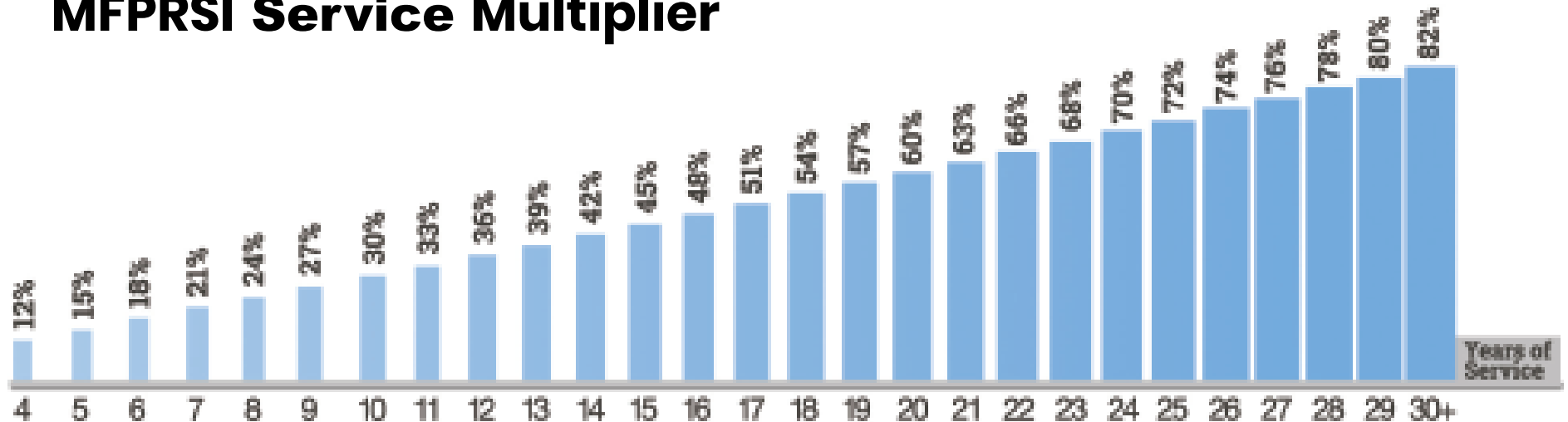
MFPRSI DEFINED BENEFIT PLAN

Service Retirement Benefit Formula

$$\text{Sum of High 3-Years Annual Earnable Compensation} \div 36 \text{ months}^* = \text{Average Monthly Earnable Compensation} \times \text{Service Multiplier Percentage}^{**} = \text{Monthly Service Retirement Benefit}$$

*The formula uses the member's highest three years of annual earnable compensation so dividing the total by 36 (3 years multiplied by 12 months) produces the average monthly earnable compensation.
 **Find your service multiplier percentage on the chart below.

MFPRSI Service Multiplier



MFPRSI Estimate

Prepared for John Doe

MFPRSI is not subject to a Qualified Domestic Relations Order (QDRO) but will recognize a valid Marital Property Order (MPO) relating to the division of marital property. Use of the sample wording enclosed is required. The following pension information is based upon available information as of the above date. Some division of one of the two items identified below in bold is commonly used for consideration in the structure of the MPO or other lump sum settlement.

Monthly Benefit increase during marriage:		1,999.00
Refund Amount increase during marriage:		75,315.00
	As of Marriage	As of Divorce
Date:	1/25/2013	12/1/2019
Monthly Benefit:	1,767.00	3,766.00
Formula Percentage:	39%	57%
Years of Service:	13	19
Refund Amount:	67,088.00	142,403.00

Marital Property Order (MPO)

As a governmental plan, MFPRSI is **not** subject to either ERISA or the qualified domestic relations order (QDRO) rules of the Internal Revenue Code.

Under Iowa Code § 411.13 MFPRSI **is** subject to Marital Property Orders (MPO).

MPOs are covered by MFPRSI Admin Rule 12.10.

http://www.mfprsi.org/site_media/uploads/admin_rules_170629.pdf

MFPRSI Sample MPO

IN THE IOWA DISTRICT COURT FOR _____ COUNTY

NO. _____

MARITAL PROPERTY ORDER

NOW on this ____ day of _____, 20____, this matter comes before the Court upon the Court's own motion. The Court, having reviewed the file, heard the statements of counsel, and being otherwise fully advised in the premises FINDS as follows:

1. The Court has jurisdiction over the parties and the subject matter.
2. The Petitioner and the Respondent were granted a Decree of Dissolution of Marriage on **[date]**. That decree, inter alia, dissolved the marriage between the parties but reserved jurisdiction over the technical means by which (insert member's name)'s benefits from the Municipal Fire and Police Retirement System of Iowa ("System") were to be divided.
3. **(Member's Name)** _____, born on _____, hereinafter referred to as **"MEMBER"** is/was employed by the _____ **[City]** _____ Fire **(or)** Police Department and is a participant in the retirement plan of the System under Chapter 411 of the Code of Iowa. Member's current address is:
_____.
4. **(ex-spouse's full name)** _____, was born on _____, and is hereinafter referred to as **"ALTERNATE PAYEE."** Alternate payee's current address is: _____.
5. The parties have presented this order to the Court for approval.
6. After review of the file and being otherwise fully advised in the premises, the Court finds that the terms of this document should be approved.

MPO – Retirement of Member

1. AWARD OF BENEFITS: RETIREMENT OF MEMBER

The Alternate Payee is awarded a percentage or dollar amount of the monthly pension from the System to which the Member is otherwise entitled: **(stipulate either dollar amount or percentage)**

a) dollar amount to which the Alternate Payee is eligible: \$_____

(or)

b) percentage to which the Alternate Payee is eligible: _____% of the pension from the System that the Member would otherwise be entitled to as of _____[Date]_____.

The Alternate Payee **shall (or) shall not** be entitled to a proportionate share of any increases in the Member's pension following the Member's retirement.

MPO – Retirement of Member “As of Date”

1. AWARD OF BENEFITS: RETIREMENT OF MEMBER

The Alternate Payee is awarded a percentage or dollar amount of the monthly pension from the System to which the Member is otherwise entitled: **(stipulate either dollar amount or percentage)**

a) dollar amount to which the Alternate Payee is eligible: \$ _____

(or)

b) percentage to which the Alternate Payee is eligible: _____% of the pension from the System that the Member would otherwise be entitled to as of _____ [Date] _____.

The Alternate Payee **shall (or) shall not** be entitled to a proportionate share of any increases in the Member's pension following the Member's retirement.

If date is not provided,
% will be applied to total
benefit at retirement.

MPO – Sample Formula

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

MPO – Sample Formula

Additional Information

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



Often referred to as the “service factor” or “marital portion”

Should be based on **YEARS** of service

MPO – Escalator/Cola

1. AWARD OF BENEFITS: RETIREMENT OF MEMBER

The Alternate Payee is awarded a percentage or dollar amount of the monthly pension from the System to which the Member is otherwise entitled: **(stipulate either dollar amount or percentage)**

a) dollar amount to which the Alternate Payee is eligible: \$_____

(or)

b) percentage to which the Alternate Payee is eligible: _____% of the pension from the System that the Member would otherwise be entitled to as of _____ [Date]_____.

The Alternate Payee **shall (or) shall not** be entitled to a proportionate share of any increases in the Member's pension following the Member's retirement.

Most Retirees/Beneficiaries receive an annual Cola/Escalator

$(6/30 \text{ Benefit} \times 1.5\%) + \text{Flat \$ Based on Years Retired} = \text{New Monthly Benefit}$

MPO – DROP

2. AWARD OF DROP

The Alternate Payee is awarded a percentage or dollar amount of any Deferred Retirement Option Plan (“DROP”) distribution from the System to which the Member may otherwise be entitled: **(stipulate either dollar amount or percentage)**

a) **dollar amount to which the Alternate Payee is eligible \$_____**,

(or)

b) **percentage to which the Alternate Payee is eligible: _____%**

(or)

The Alternate Payee is **not entitled** to any portion of the DROP distribution to which the Member may be entitled.

MFPRSI – DROP

DROP – Deferred Retirement Option Plan

DROP is a distribution option of the Member's service retirement

DROP is **not** a separate retirement benefit

Provisions of DROP:

- Member elects a 3-, 4-, or 5-year DROP
- Service Retirement Benefit is calculated and frozen
- Member continues to work
- Member continues to pay contributions
- (Contributions remain with MFPRSI)
- A portion of the Service Retirement Benefit is credited to a DROP account
- Upon termination of employment, the DROP account is paid out in a lump sum

MPO – Commencement of Benefits

3. COMMENCEMENT OF BENEFITS

The monthly benefit payments to be made to the Alternate Payee shall commence effective with the date of commencement of the Member's monthly benefit from the System or effective _____ (if later). Benefits shall be paid by the System to the Alternate Payee in monthly installments, and shall continue until the earlier of the death of the Member or the death of the Alternate Payee. [a shorter period may be specified.]

MPO – Commencement of Benefits Additional Consideration

3. COMMENCEMENT OF BENEFITS

The monthly benefit payments to be made to the Alternate Payee shall commence effective with the date of commencement of the Member's monthly benefit from the System or effective _____ (if later). Benefits shall be paid by the System to the Alternate Payee in monthly installments, and shall continue until the earlier of the death of the Member or the death of the Alternate Payee. [a shorter period may be specified.]

If only date of commencement is used and member becomes disabled, Alternate Payee will begin receiving benefits upon the Member's disability.

MPO – Death of Member in Service

4. AWARD OF BENEFITS: DEATH OF A MEMBER IN SERVICE

The Member hereby designates the Alternate Payee as a surviving spouse. In this respect, in the event the Member dies prior to receiving a pension from the System and predeceases the Alternate Payee, the Alternate Payee shall be entitled to a survivor benefit for the remainder of his/her lifetime which is **equal to _____% (or) the following identified dollar amount \$_____** of the surviving spouse benefit that is otherwise payable upon the member's death. Any remaining percentage or dollar amount shall be payable to the Member's then-current surviving spouse, if any.

The Alternate Payee **shall (or) shall not** be entitled to a proportionate share of any increases in the survivor benefit following the Member's death.

MPO – Death of Member After Retirement

5. AWARD OF BENEFITS: DEATH OF A MEMBER AFTER RETIREMENT

The Member hereby designates (or) does not designate the Alternate Payee as the surviving spouse for purposes of the pension to the spouse of a deceased member who was receiving benefits, under § 411.6(11). The Alternate Payee shall be **entitled to** ____% of the spousal pension otherwise payable under this section. Any remaining percentage or dollar amount shall be payable to the Member's then-current surviving spouse, if any.

[This paragraph does not apply if the Member received an optional form of benefit under § 411.6A.]

The Alternate Payee shall (or) shall not be entitled to a proportionate share of any increases in the survivor benefit following the Member's death.

MPO – Death of Member During DROP

6. AWARD OF DROP: DEATH OF MEMBER DURING DROP

The Member hereby designates (or) does not designate the Alternate Payee as the designated beneficiary for the Member's DROP account. In this respect, in the event the Member predeceases the Alternate Payee, the Alternate Payee shall be entitled to a lump-sum payment from the DROP account which is equal to _____ % (or) 0% of the DROP distribution available to the Member as of the date of the Member's death.

(Distribution available to the Member equals the accrued DROP account balance less amount awarded to the Alternate Payee in Paragraph #2.)

MPO – Award of Refund of Contributions

7. AWARD OF REFUND OF CONTRIBUTIONS

In the event the Member withdraws his/her contributions pursuant to § 411.23, the portion of such withdrawal payable by the System to the Alternate Payee shall be _____%.

(or)

The Member may not withdraw his/her contributions under § 411.23.

MPO – Order Shall Not

8. THE PARTIES ACKNOWLEDGE THAT THIS ORDER SHALL NOT:

- (a) require the System to provide any type or form of benefit or any option not otherwise provided by the System;
- (b) require the System to provide increased benefits over what would otherwise be payable on the Member's record, as determined on the basis of actuarial value;
- (c) require the System to provide benefits at a time otherwise not permitted under Iowa Code Chapter 411;
- (d) require the payment of benefits to the Alternate Payee to the extent that they are already required to be paid to another alternate payee under a previous marital property order;
- (e) permit the Alternate Payee to designate a beneficiary. In the event the Alternate Payee predeceases the Member, the Alternate Payee's portion of the monthly benefit will revert to the Member;
- (f) permit payment to the Alternate Payee following the death of the Member, except as provided in the Order and by statute;
- (g) permit the recalculation of the surviving spouse benefit following the death of any surviving spouse.

MPO – Distribution

9. DISTRIBUTION OF ORDER

The Court directs that a copy of this Order be sent by _____'s counsel by regular mail to the System, *along with a cover letter that includes the social security numbers and current addresses and phone numbers of both the Member and the Alternate Payee.* Within a reasonable time after a receipt of a copy of this Order, the System shall determine whether the Order may be effectuated and shall notify the Member and the Alternate Payee of such determination.

MPO – Retention of Jurisdiction

10. RETENTION OF JURISDICTION

It is further ordered that the Court shall retain jurisdiction over this matter to amend this Order as necessary in order to establish or maintain a Marital Property Order acceptable to the System.

Judge, _____ Judicial District of Iowa

APPROVED AS TO FORM AND CONTENT:

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
- Reference to Benison Formula
- Increase in benefits after retirement (Cola) is not addressed
- Conflicting language

MFPRSI Contact

- We are located at:
7155 Lake Drive, Suite 201
West Des Moines, IA 50266
- Office hours are 7:30 a.m. to 4:00 p.m.,
Monday through Friday.

Email	Website	Toll-Free Phone
pensions@mfprsi.org	www.mfprsi.org	888.254.9200

Questions ?

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