



The law, language
and calculations

PERA
Benefits
and
Marriage
Dissolution

Public Employees
Retirement Association
of Minnesota

October 2013

October 2013

If you have questions about marriage dissolution
and PERA benefits that are not answered in this brochure,
please contact PERA at (651) 296-7460.
Outstate callers may dial 1 800 652-9026.

This publication is meant to assist you in understanding how
marriage dissolution may affect benefits from the Public
Employees Retirement Association of Minnesota.
The information is presented as simply and accurately
as possible and is based on current law. If there is a
discrepancy between this publication and the actual
law, the provisions of the law will govern.

Table of Contents



	Page
<i>Introduction</i>	2
<i>Effect of Divorce on Retirement Benefits</i>	3
<i>Minnesota Laws Governing Marriage Dissolutions</i>	5
Assignability of pension benefits	5
Assignability of future benefits	5
Beneficiary designation	6
Releasing information	6
Deferred pension calculations for valuation purposes	7
<i>Benefits Payable by PERA</i>	8
Retirement (pension) benefits	8
Disability benefits	8
Pension and benefit options	8
Pre-retirement survivor benefits	9
Court orders after retirement	10
<i>Guidelines for Composing Court Orders</i>	11
Language for awarding one-half of a pension	11
Survivor options	12
Refunds not allowed	12
Pre-retirement survivor benefits	12
Beneficiary	12
Taxes and post-retirement adjustments	13
<i>Differences between PERA Law and Federal QDRO</i>	14
When payments begin to member and former spouse	15
<i>Example Calculations</i>	16
Marital portion benefits	16
Present value of pension benefits	17
<i>Glossary</i>	18



Introduction

This booklet is designed to assist the parties involved in a marriage dissolution and their attorneys in the division of Public Employees Retirement Association (PERA) pension benefits as part of the overall disposition of marital property. A section containing guidelines for language to be used in a court order can be found on page 11.

Because PERA is a governmental plan, it is exempt from the Qualified Domestic Relations Order (QDRO) law under the 1984 Retirement Equity Act. The 1974 Employee Retirement Income Security Act (ERISA), which includes QDRO law, only relates to private pension plans. (See page 14 for differences between PERA law and Federal QDRO.)

However, state law permitting the division of public pension plan benefits as a settlement of property in a marriage dissolution was enacted on August 1, 1987. Under this law, PERA may pay pension benefits directly to the former spouse of a PERA member. Before enactment of the law, PERA could make payments only to the PERA member. That individual, in turn, was expected

to pay the former spouse based on provisions in the court order. Thus, *PERA has no authority to make payment directly to a former spouse based on a court order filed prior to August 1, 1987, unless the order is amended after that date.*

If insufficient liquid marital property exists for division, the PERA pension may be divided in the Judgment and Decree or by separate court order.

PERA's Coordinated, Basic, Correctional, and Police and Fire plans are defined benefit plans, not defined contribution plans. Consequently, members earn a retirement or disability benefit based on a formula that uses the member's allowable service credit, highest five consecutive years' average salary and age when the benefit begins. The amount contributed to the fund during a member's years of service has no bearing on the monthly payment amount.

If the PERA pension is divided, the money in the member's account does not get transferred into a separate account for the former spouse. Rather, it remains in the member's account.

Effect of Divorce on Retirement Benefits



Q: Do all of my PERA benefits belong to me after divorce?

A: Your former spouse may or may not (depending on the court order) be awarded a portion of your PERA benefits.

Q: Can PERA offer legal advice on the best way to divide the pension?

A: No. Since PERA cannot give legal advice, you should contact an attorney. We will, however, work with you and your attorney to develop language in a court order that can be administered by PERA.

Q: Can my former spouse receive payment immediately from PERA?

A: No. Payments from PERA may be made only when the member ends his or her public employment, applies for a monthly benefit or refund, and the benefit becomes payable.

Q: Can payments be made to my former spouse in a lump sum after I end my public service?

A: If you, as the PERA member, accept monthly payments, your former spouse cannot be paid in a lump sum, but must also accept monthly payments.

Q: Will benefit or refund payments be made to my former spouse without a court order?

A: No. PERA must have a certified copy of your court order dividing the PERA pension (or a temporary restraining order preventing you from applying for a refund) before we will divide your monthly benefit or refund. This document must be filed with a court administrator's office.

Q: Can the type of pension I select at retirement be changed later?

A: A benefit option, once granted, cannot be revoked or changed. If you name your former spouse as your survivor, payments will continue to your former spouse, if living, following your death. The one exception is that a survivor option made at the time of retirement may be revoked by court order in the event of a marriage dissolution or annulment.

Q: Do payments continue to my former spouse's estate after his/her death?

A: A portion of your pension benefits or rights may be granted to your former spouse as a division of marital property, in place of liquid assets (unless the decree makes other provisions). This division is permanent. Thus, upon your former spouse's death, payment continues to your former spouse's estate until your death.

Q: I was divorced in 1986. Why can't PERA make payment to my former spouse?

A: The law allowing PERA to make payments directly to a former spouse was not enacted until mid-1987. Consequently, PERA does not have the authority to make such payments to a former spouse if the divorce decree was filed before August 1, 1987. If your former spouse was granted a portion of your pension in a decree filed prior to that date, an amended decree must be filed with the court allowing PERA to make direct payments. The alternative is that you, as the PERA member, must make payments directly to your former spouse.

Q: I will be divorced in Wisconsin. Can you accept the court order?

A: Yes. However, the court order must be filed in Minnesota before we can administer the document.

Q: Does my former spouse remain my beneficiary if I so designated prior to my divorce?

A: No. Under Minnesota law, the designation of a spouse as beneficiary is revoked upon marriage dissolution. If the divorce decree or other court order requires that your former spouse be designated a beneficiary, a PERA Change Form will have to be filled out to do so. (Also see Pre-retirement Survivor Benefits on page 12.)

If you do not return the form and die, and no other benefits are payable, we will make payment according to the court order and the remaining balance will be issued to your designated beneficiary(ies).

Minnesota Laws Governing Marriage Dissolutions



Assignability of pension benefits

Minnesota Statutes, section 353.15, states that annuities and benefits payable from PERA are not assignable or subject to execution, levy, attachment, garnishment, or legal process, except as provided in sections 518.58, 518.581 or 518A.53.

Section 518.58, subdivision 3, states in part:

If liquid or readily liquidated marital property other than property representing vested pension benefits or rights is available, the court, so far as possible, shall divide the property representing vested pension benefits or rights by the disposition of an equivalent amount of the liquid or readily liquidated property.

Assignability of future benefits

Section 518.58, subdivision 4, states the division of marital property that represents vested public pension benefits or rights in the form of future payments:

- 1) *is payable only to the extent of the amount of the public pension plan benefit payable under the terms of the plan;*
- 2) *is not payable for a period that exceeds the time that public pension plan benefits are payable to the public pension plan benefit recipient;*
- 3) *is not payable in a lump sum amount from public pension plan assets attributable in any fashion to a spouse with the status of an active member, deferred retiree, or benefit recipient of a public pension plan;*
- 4) *if the former spouse to whom the payments are to be made dies prior to the end of the specified payment period with the right to any remaining payments accruing to an estate or to more than one survivor, is payable only to a trustee on behalf of the estate or group of survivors for subsequent apportionment by the trustee; * and*
- 5) *in the case of public pension plan benefits or rights, may not commence until the public pension plan member submits a valid application for a public pension plan benefit and the benefit becomes payable.*

*The Minnesota Attorney General's Office has advised that court marital orders should specify what happens to pension benefits upon the death of a PERA member's ex-spouse. This should be stated as either a term in years or clarify that payments will be made as long as the PERA member is alive.

Beneficiary designation

Under Minnesota Statutes, section 524.2-804, any revocable beneficiary designation, which includes beneficiary designations by a PERA member on a PERA account, is automatically revoked upon the dissolution or annulment of marriage. If the former spouse is intended to remain designated as a beneficiary for the marital portion of any refund after the dissolution, the court order must specifically include such a provision.

The language recommended to appear in the court order is:
The Participant shall name the Alternate Payee as designated beneficiary of a portion of (his/her) PERA account to receive one-half of deductions reported during the period of marriage, plus interest.

Releasing information

Under Minnesota Statutes, section 356.49, PERA is required to provide information on pension benefits or rights of the plan member (or former member) to the court and the parties involved in a marriage dissolution action. PERA may release private or confidential data on individuals to the court, the parties to a marriage dissolution, their attorneys, and an actuary under section 518.582, to the extent necessary to comply with

the law. This will only be done after PERA has received written authorization from the PERA member or a legal petition showing that an action for marriage dissolution has commenced. A copy of the affidavit of service showing that the petition has been served on the responding party to the action must also be presented.

The pension information required to be provided under Minnesota Statutes, section 356.49, must include the following:

- 1) Pension benefits or rights of the PERA member or former member as of the first day of the month following the date of the request (see Deferred pension calculations on page 7).
- 2) Benefits or rights of the plan member as of the date of valuation of marital assets under section 518.58, if the person requesting the information specifies that date.
- 3) Accrued service credit of the member.
- 4) Credited salary of the person for the most current five-year period.
- 5) Summary of the benefit plan.
- 6) Any other information relevant to the calculation of the present value of the benefits or rights. (Although PERA will, upon request, provide a “present value” calculation, which is the amount

PERA must invest now to fund the member's pension at retirement age, the calculation may be different from present value figures for a marriage dissolution, as provided by an actuary.)

Deferred pension calculations for valuation purposes

Except for PERA's Defined Contribution Plan for elected officials, physicians, and ambulance personnel, PERA's plans are defined benefit plans. With defined benefit plans, monthly benefits are based on a formula, using a member's years of service, highest five consecutive years' average salary, and age at retirement or disability. *(Please refer to the appropriate handbook for additional information on the retirement formula used in calculating benefits for the Basic, Coordinated, Correctional, and Police and Fire plans.)*

In addition, PERA administers many local relief association benefit plans for police officers and firefighters. The benefits for the relief association plans are generally calculated using base pay and years of service, or another formula under Minnesota law or local relief association bylaws. Monthly payments are made for the lifetime of the recipient.

For vested PERA members (three or more years of allowable service credit for members hired through June 30, 2010, and five years of service for members hired thereafter), PERA will calculate an estimated benefit based on the member terminating employment at the end of the current month and monthly pension benefits beginning when the person will reach age 55 (or the first of the month after the date of the request for those age 55 and older).

Additional estimates will be calculated, if requested, including the marital portion of the pension. The marital portion is the part of the pension earned during the period of time a couple was married. The former spouse is generally entitled to one-half of the marital portion, unless another division is made by the court. If a member is not vested, PERA will provide information on the service credit and balance in the account plus interest.

For the purposes of PERA pension law, present value means the balance of the accumulated salary deductions in the account plus interest. (This is different from the "present value" in a marriage dissolution, as calculated by an actuary.) Employer contributions for members of the Coordinated, Basic, Correctional,

and Police and Fire plans are not credited to the accounts of the individual members and are never refundable. The court that has jurisdiction over marriage dissolution matters may appoint a qualified person experienced in the valuation of pension benefits and rights to function as an expert witness on these matters. In that event, the court-appointed actuary determines the present value of pension benefits or rights that are marital property of the parties

involved in the action. The present value is based on the applicable plan documents of the pension plan and the actuarial assumptions used by the plan in calculating optional forms of the benefit, or the funding of the pension plan, if reasonable, or as specified by the court. As an alternative to appointing an actuary, the parties may stipulate the present value of pension benefits or rights that are marital property.

Benefits Payable by PERA



Retirement (pension) benefits

A participant in PERA's Basic, Coordinated, Correctional, or Police and Fire Plan who has met the Association's vesting requirements and retires is eligible to receive a monthly pension or benefit that is payable for life. The benefit is based on years of allowable service credit, the highest five consecutive years' average salary, and age at retirement.

Disability benefits

Monthly disability benefits are also available through PERA. (Please refer to the member handbook for each plan for qualifications for disability.) The disability must be total and perma-

nent for Basic and Coordinated plan members. It may, however, be an occupational disability for Correctional and Police and Fire Plan members.

Pension and benefit options

The **Single-life** retirement benefit is payable for the PERA member's lifetime only. No monthly survivor payments are made to any other person following the member's death. However, any unpaid balance of the member's contributions to the plan is payable to the designated beneficiary(ies).

The designation of a spouse as beneficiary is revoked upon marriage dissolution under Minnesota

law. If the court order requires that your former spouse be designated a beneficiary, a *PERA Change Form* must be completed and submitted to PERA.

Instead of the Single-life benefit, the member may select a **Survivor** option benefit. These benefits provide a monthly payment to another person following the member's death. To provide this continuing benefit, the Single-life benefit amount is reduced, based on the ages of the member and the designated survivor at the time payments begin. If the designated survivor outlives the member, the 25 percent option pays one-quarter of the PERA member's benefit to the survivor for that person's lifetime. Likewise, the 50 percent, 75 percent, and 100 percent options pay that specified percentage of the member's monthly benefit to the survivor if that individual survives the retired member. Should the designated survivor die first, the monthly payment to the member and former member trustee increases to the Single-life amount for the remainder of the member's lifetime. If the court order requires that a former spouse be named as the survivor for the marriage period, the member then has the right to name another person as survivor for all other service.

Note: *A Basic Plan member who becomes disabled or a Police and Fire Plan member who qualified for duty-related total and permanent disability will often choose a single-life benefit on the disability application. This is because if death occurs before retirement, the surviving spouse and/or dependent children will be entitled to monthly benefits. (No automatic survivor coverage is available for disabled Coordinated and Correctional plan members, or to Police and Fire Plan members who are not receiving a duty-related total and permanent disability benefit.) When the disabled Police and Fire Plan or Basic Plan member reaches retirement age, the single-life benefit may be changed to a Survivor option. However, if a Survivor option was elected on the disability application, that option cannot be changed at retirement.*

Pre-retirement survivor benefits

If an active member dies before retirement, monthly survivor benefits are available for a surviving spouse or dependent children, or both. The types of benefits payable depend on the plan to which the member contributed. A former spouse could receive the marital portion of the payment to be made to a current spouse, if negotiated in a court order filed

on or after April 10, 1992, for the period the current spouse receives payments.

For Basic Plan members and Police and Fire Plan members who are totally and permanently disabled as the result of a hazardous duty illness or injury, the surviving spouse may be entitled to a percentage of the member's average monthly salary over the last full six months of employment prior to the date of death. Each dependent child may also receive a portion of that average salary. The family maximum benefit is 70 percent of such salary (80 percent if a Police and Fire member died as the result of hazardous duty). The benefits cannot be waived by the member. This type of survivor payment is not available upon the death of a Coordinated or Correctional Plan member.

The surviving spouse of an active Coordinated or Correctional Plan member may select the 100 percent survivor option that the member would have qualified for on the date of death. (This option is also available to the surviving spouse of a Police and Fire, or Basic Plan member instead of the

benefits shown in the previous paragraph.) If no spouse survives the member, any dependent children under age 20 would receive a benefit until age 20 or five years after benefits begin, whichever is later.

This surviving spouse optional benefit is paid for the spouse's lifetime or for a term-certain period of 10, 15, or 20 years. (Term-certain payments are not available under the Police and Fire Plan.) The surviving spouse optional benefit may be waived on a form provided by PERA.

Court orders after retirement

If a survivor option was chosen at retirement, that selection can be revoked in the event of a marriage dissolution or annulment. The monthly benefit would then revert to a single-life pension. The payment, however, may still be split between the parties.

For this to occur, the court must order the revocation of the benefit selection and both the member and former spouse must sign a PERA form acknowledging the change.

Guidelines for Composing Court Orders



This section contains the preferred language for the purposes of PERA law. Please note that these are guidelines only and should not be construed to mean that other formats will not be accepted. If possible, please send proposed language to the PERA office before the court order is finalized. A separate court order is not required; the language may be incorporated into the Findings of Fact, Conclusions of Law, Order for Judgment, and Judgment and Decree. The Findings should include a Finding that liquid marital property is not available for equitable division, thus requiring a division of the pension benefits.

Note: *The PERA member is the Participant and the former spouse is the Alternate Payee in the following paragraphs.*

Language for awarding one-half of a pension

The following language should be used if the former spouse is to receive one-half (a different fraction or percentage may be used) of the marital portion of the benefits. In addition, language should spell out the specific benefits to which the division applies.

The Alternate Payee shall receive a fixed percentage of Participant's interest in the pension plan if, as and when benefits become payable, as determined by application of the following formula:

One-half multiplied by the amount of each monthly retirement and disability benefit, multiplied by a fraction, the numerator of which shall be (insert number of years, dates covered, or date of entry of judgment and decree) representing the number of years of the parties' marriage during which the Participant was a contributing member of PERA and the denominator of which shall be the total number of years that the Participant was a contributing member of PERA at time of termination.

Language in the court order should specify what would happen in the event the alternate payee should die before the participant: Specifically, whether any payment is to be made to the former spouse's estate or revert to the participant. If the court order is silent, payments will continue to the alternate payee's estate for the lifetime of the participant.

Survivor options

If a former spouse is to be named as the survivor to receive monthly payments after the member's death (these options are not the same as pre-retirement survivor benefits, which are addressed separately):

Participant shall elect the 50 percent survivor option, naming Alternate Payee as survivor for the period of their marriage.

In conjunction with the above, the former spouse could be required to bear the cost of the survivor option, with the following language:

Alternate Payee shall credit Participant during (his/her) lifetime the difference in monthly benefit attributable to Participant's exercise of the 50 percent Survivor Option payment as compared to the Single-life benefit. The purpose for such credit shall be to ensure that the Participant suffers no financial detriment as a result of the 50 percent Survivor option election as compared to the Single-life benefit.

If a survivor option is required and the cost of the option is not addressed in the order, PERA will assume the cost of the option will be shared equally.

Note: *If the former spouse is more than 19 years younger than the member, the 75% Option cannot be elected. If the former spouse is*

more than 10 years younger than the member, the 100% Option cannot be chosen.

Refunds not allowed

The following language prevents the member from applying for a refund:

The Participant shall not assign, withdraw, or otherwise encumber (his/her) PERA contributions.

Pre-retirement survivor benefits

The following language could be used if the former spouse is to receive a portion of the surviving spouse benefits payable if the member has remarried and dies before monthly benefits begin:

The Alternate Payee is to be paid that part of the survivor benefits payable due to Participant's death that is attributable to or was accumulated during the period of marriage between Participant and Alternate Payee.

Beneficiary

Dissolution of marriage revokes any prior beneficiary designation for dissolutions that occur after April 19, 2002. If the former spouse is to be named as beneficiary for the marital portion, the participant must file a change of beneficiary form with PERA specifying that the alternate payee is

the beneficiary, in accordance with the terms of the court order. The language recommended to appear in the court order is:

The Participant shall name the Alternate Payee as designated beneficiary of a portion of (his/her) PERA account to receive one-half of deductions reported during the period of marriage plus interest.

Taxes and post-retirement adjustments

If both parties are responsible for payment of state and federal income taxes on their respective portions, the recommended language is as follows:

Taxes on the benefit amounts shall be the responsibility of each party receiving payments.

If both parties are to receive Post Retirement Fund increases, the following language is suggested:

Any increases paid after monthly benefits begin shall be prorated between both parties' portions.

Differences between PERA Law and Federal QDRO



PERA will accept language similar to the federal Qualified Domestic Relations Order (QDRO), to the extent it conforms with Minnesota law. The QDRO generally states that payments may be made to a former spouse on the earliest date the member is eligible for retirement, even if the participant does not retire on that date. Under Minnesota law, however, payments to a former spouse can be made only at the time a member terminates employment, applies for a monthly benefit or a refund, and benefits become payable.

Under Minnesota law, the former spouse cannot receive a lump sum payment if the PERA member selects monthly benefits. In addition, a separate account cannot be created for the former spouse, although that is permitted under a QDRO.

A surviving spouse for PERA purposes is the person legally married to the PERA member at the time of death. No surviving spouse benefits are due if the deceased member is not married. A former spouse may receive the marital portion of any pre-retirement survivor payments, if the disposition of survivor benefits was negotiated

in the court order. This holds true only if the PERA member remarries and dies while an active member of a PERA plan.

Payments to the former spouse after the member retires continue for the lifetime of the PERA member, unless a survivor option is selected with the former spouse as survivor for their marriage period. In that event, the former spouse would receive the designated share of the marital portion of the benefit for their lifetime and the member may name another survivor for the portion of the benefit not covered by the marriage period.

It is suggested that a copy of proposed language be sent to PERA before the court order is finalized. PERA will review the language to determine whether the court order can be administered as written. If PERA cannot administer the court order as filed, we will advise the parties and request that an amended court order be filed.

Once PERA receives a certified copy of the Court Order filed by the court administrator's office, PERA will write to all parties involved, advising how distribu-

tion will be made when payments begin. The PERA office should be contacted immediately with any questions or concerns on how PERA has interpreted the Court Order. If a divorce occurred in another state, the court order must be filed in Minnesota before PERA can administer it.

When payments begin to member and former spouse

PERA cannot guarantee a certain dollar amount will be paid to a benefit recipient other than the employee deductions paid to PERA. When a PERA member retires, the monthly benefit is first paid from accumulated employee deductions. After that amount is exhausted, payments continue for the lifetime of the benefit recipient(s) from the income of the pension fund (including employer contributions and investment income). If both the member and former spouse die after monthly payments begin and no monthly payments are due any other person, a refund of any balance of employee deductions remaining in the account is paid to the designated beneficiary(ies).

It is recommended that, approximately 90 days prior to retirement, the PERA member contact the PERA offices for estimates of his or her pension. When the member applies for monthly benefits, copies of birth and marriage documents for the member and for each survivor are required. Upon receipt of the member's application, PERA will write to the former spouse, requesting tax withholding information. If the former spouse is named as a survivor, we will also require birth and marriage documents.

It is important for future payment purposes that both the member and former spouse keep PERA informed of all name and address changes.

PERA will make the division based on a retired member's account as soon as practicable upon receipt of the court order. Generally, if we receive the court order by the 15th of the month, the payment will be split by the first of the following month.



Example Calculations

Marital portion benefits

Let's assume that according to a court order on file, the former spouse is entitled to one-half the marital portion of the member's benefit, and the member is to select the 50 percent Survivor option for the marriage period. It is also assumed both parties are to share the cost of the Survivor option.

The marital portion covers 10 years of service, and the member has a total of 20 years of service at retirement. Thus, 50 percent (10 years / 20 years = 50 percent) of the total service is the marital portion. The PERA member is age 55, and the former spouse is age 53. The Single-life pension is estimated at \$2,000 per month.

The calculation of the pension amount to be awarded to the former spouse is as follows:

$$\begin{array}{r}
 \$2,000 \\
 \times 50\% \\
 \hline
 \$1,000 \text{ (marital portion)} \\
 \\
 \$1,000 \\
 \times 92\% \text{ (reduction for 50\% option)} \\
 \hline
 \$ 920 \\
 \\
 \$ 920 \\
 \times 50\% \text{ (of marital option)} \\
 \hline
 \$ 460 \text{ per month to former spouse}
 \end{array}$$

The member would receive the remainder of the pension:

$$\begin{array}{r}
 \$ 460 \text{ (of marital option)} \\
 + 1,000 \text{ (Single-life—non-marital portion)} \\
 \hline
 \$ 1,460 \text{ per month to member}
 \end{array}$$

Instead of the Single-life pension (\$1,000) for the non-marital portion of the pension, the member may choose to name a second survivor for that portion of the benefit. If the member selected the 100 percent Survivor option with an individual who is age 55 as the survivor, that portion would be reduced to \$860 per month. In this case, the member's portion would amount to:

$$\begin{array}{r}
 \$1,000 \\
 \times 86\% \text{ (reduction for 100\% option)} \\
 \hline
 \$ 860 \\
 \\
 \$ 460 \text{ (of marital portion)} \\
 + 860 \text{ (non-marital portion—survivor reduction)} \\
 \hline
 \$1,320 \text{ per month to PERA member}
 \end{array}$$

If the former spouse is to bear the full cost of the survivor option, the former spouse's pension is computed as follows:

$$\begin{array}{r}
 \$1,000 \\
 \times 92\% \text{ (reduction for survivor option)} \\
 \hline
 \$ 920 \\
 \\
 \$920 \\
 - 500 \text{ (of Single-life benefit to member)} \\
 \hline
 \$420 \text{ per month to former spouse}
 \end{array}$$

If the member should die, the former spouse would receive \$460 per month thereafter (the 50 percent Survivor option).

In turn, if the former spouse bears the full cost of the option, the member's monthly pension would be computed as follows:

\$ 500 (marital portion)
+ 1,000 (Single-life—non-marital portion)
\$ 1,500 payable to the member

tribution plan and not a defined benefit plan. Because Minnesota law prevents PERA from making payments to the former spouse after the member's death if the former spouse is not named as the survivor, the estate must provide for any payments still due the former spouse when the participant dies.

Present value of pension benefits

Occasionally, language in the court order states the former spouse is to receive one-half of the present value in the account plus interest in an amount specified in the court order. Payments are to be made when the member retires, over the anticipated life span of the former spouse, in accordance with IRS tables. PERA will not accept this type of language, as it appears to refer to a defined con-

Glossary



Accumulated Deductions—The total employee contributions deducted from a member's salary and credited to the person's PERA account. This does not include interest or employer contributions.

Actuarial—Relating to the work of an actuary. Computations using compound interest, mortality tables, and other factors in the field of actuarial science are called actuarial computations.

Actuary—A person professionally trained in the technical and mathematical aspects of insurance, pensions, and related fields. The actuary estimates how much money must be contributed to a pension fund each year to support the benefits that will become payable in the future, as well as how much a benefit recipient is expected to receive monthly following retirement.

Alternate Payee—The former spouse in a marriage dissolution who will receive a portion of the PERA member's pension benefits upon the member's termination of employment and application for benefits.

Annuity—The annual payment of a pension made through regular monthly distributions.

Beneficiary—The person or persons named to receive a refund of accumulated deductions in the account of a deceased member or retiree. The designation of a spouse as beneficiary is automatically revoked upon the dissolution or annulment of a marriage.

Court order—See Judgment and Decree and Divorce Decree.

Current spouse—The person legally married to the PERA member.

Deferred pension—A monthly payment at retirement age made to a member who has terminated public service before reaching that age. This requires the member be vested at the time of termination and that the accumulated member deductions remain in the fund.

Defined Benefit Plan (DBP)—A pension plan in which benefits are based on a set formula. The PERA Basic, Coordinated, Correctional and Police and Fire plans are all defined benefit plans in which pension benefits are based on years of allowable service, highest five consecutive years' average salary, and age at retirement.

Defined Contribution Plan (DCP)—A plan in which benefits at retirement are based on returns on

investments of employee deductions and employer contributions (less administrative costs). PERA administers a DCP for elected officials, publicly-employed physicians, and ambulance service personnel.

Designated Survivor—A person, not necessarily a spouse, selected by the member at the time of retirement or disability to collect 25, 50, 75, or 100 percent of the benefit received by the member upon his or her death.

Dissolution—Termination of a formal or legal bond.

Divorce decree—The legal dissolution of marriage by court order.

Employer contributions—The statutory percentage of employees' salary paid to PERA by the employer. Except for Defined Contribution Plan members, employer contributions are not placed in an individual member's account and are never refundable. Instead, they are placed in the pension fund, invested, and used to fund future benefits for a member who qualifies for monthly payments.

Former spouse—The person from whom the PERA member is legally divorced.

Judgment and Decree—The determination of a court in a marriage dissolution, filed by the court administrator's office.

Local relief association—A municipal police or firefighters relief association established to provide pension and other benefits to police officers and firefighters employed by the city. Before consolidation with PERA, relief associations operated independently. After consolidation, PERA administers their benefit plans. Members may continue participation under the bylaws of the local plan or elect the benefit package of the PERA Police and Fire plan.

Marital portion—The portion of a member's service credit during which the member and former spouse were legally husband and wife (or an adjusted marital period as determined by the court).

Pension benefits—Monthly payments made to a member who has retired or become disabled.

PERA member—A public employee who has met eligibility requirements for a PERA pension plan and from whose earnings deductions are paid to PERA. Membership ends at termination of public employment.

Post-retirement increases—Pensions increases are awarded every January 1. Increases are specified by statute and may vary from year to year based upon the funding levels of PERA's retirement plans.

Present value—For the purposes of PERA law, the member's accumulated salary deductions plus interest. For actuarial purposes, present value may mean the value in present-day dollars of payments the member is expected to receive in future retirement benefits. This is based on Internal Revenue Service mortality tables.

Qualified Domestic Relations Order (QDRO)—Assignment of benefits to the former spouse of a plan participant under federal ERISA law. Although PERA is exempt from the federal QDRO rules, we will accept similar language if it conforms with PERA law.

Single-life Benefit—A personal lifetime monthly payment which ceases on the death of the retired or disabled member.

Surviving Spouse—A spouse legally married to the member at the time of the member's death.

Survivor Option Benefits—Benefits payable over the lifetimes of a retiree or disabled member and an individual, not necessarily the spouse, designated as the survivor. The monthly benefit to the former member is actuarially reduced to provide for this continuing payment. If a survivor option is to be elected, then upon the death of the member, the named survivor will begin to receive a monthly benefit of 25, 50, 75, or 100 percent (whichever was selected) of the amount paid to the retired or disabled member.

**This document is available in alternative formats to
individuals with disabilities by calling
1-800-652-9026 or (651) 296-7460,
or through the Minnesota Relay Service at
1-800-627-3529.**