

## **Pre- and Post-Retirement Plan Benefits.**

The division of qualified defined benefit plans requires a working knowledge of the benefits provided by the plans. The following is a brief discussion of the different types of benefits provided by the various qualified defined benefit plans. It should be noted here that some non-qualified plans have adopted benefits similar in form to qualified plans. When considering the division of a non-qualified defined benefit plan, it is best to contact the plan administrator and determine if the plan has adopted benefits similar to a qualified plan.

### **1. Pre-retirement survivor benefits.**

All qualified defined benefit plans must provide a qualified pre-retirement survivor annuity (QPSA). The QPSA is a bridge benefit to provide the participant's surviving spouse with retirement benefits in the event the participant dies after the retirement benefits have vested but before the retirement benefits actually commence. The QPSA is calculated similar to the joint and survivor annuity (see below) with the assumptions that the participant (1) has separated from service, (2) on or after the plan's earliest retirement age, (3) retired with an immediate benefit payable in the form of a qualified joint and survivor benefit and (4) died the following day.

The QPSA is a benefit that may be assigned to an alternate payee independent of any of the other benefits provided by a plan. An alternate payee may be assigned all or a portion of the QPSA. The QPSA may be paid in any form (other than a joint and survivor annuity) including a single life annuity or lump sum, subject to the requirements of the individual plan.

### **2. Post-retirement Benefits.**

At retirement, the participant generally has the option to choose from several forms of benefit options. Every defined benefit plan has a "normal form" of benefit, the form in which the full, unreduced pension will be paid when the participant retires. When considering a "qualified domestic relations order", it is not necessary to address the form of benefit in the order unless qualified joint and survivor benefits are to be assigned to an alternate payee. The different forms of benefits are described below:

#### **Single Life Annuity.**

A single life annuity benefit is paid in the form of monthly payments over the life of the participant. The benefit stops when the participant dies. There are no post-retirement death benefits paid when the participant dies. Under a single life annuity form the participant is not allowed to designate a beneficiary. This is the basic normal form of benefit for most defined benefit plans.

### **Joint and Survivor Annuity.**

All qualified defined benefit plans must provide a qualified joint and survivor annuity (QJSA) form of benefit payable to a surviving spouse of a married participant. The QJSA must be equal to at least 50% but not more than 100% of the amount payable to the participant during the couple's joint lives. The QJSA must be the actuarial equivalent of a single life annuity based on the life expectancy of the participant. Actuarially equivalent means that the participant's pension may be reduced to accommodate the potential future payment to the spouse. A reduction may be required to keep the plan in actuarial balance because it will be paid over two lives instead of one and the participant and beneficiary will be of different sexes and age. The reduction will persist through out the payment period unless the plan provides for a "pop-up benefit" (see below). The QJSA form of benefit may be waived prior to commencement of benefits. However, the participant's spouse must consent in writing to the waiver. Failure to include language allowing the alternate spouse to elect a joint and survivor form of benefit in a QDRO acts as a waiver.

The QJSA is a benefit that may be assigned to an alternate payee independent of any of the other benefits provided by a plan. An alternate payee may be assigned all or a portion of the QJSA.

### **Lump Sum.**

Some plans provide a lump sum or cash-out benefit. The lump sum is generally the actuarial value of a single life annuity discounted at some interest rate which may be the internal plan rate, the Pension Benefit Guaranty Corporation rate or the newer GATT rate.

### **Modified Cash Refund.**

Some, but very few, defined benefit plans allow employee contributions. Upon retirement, this type of plan will provide a post-retirement death benefit which is always at least equal to the participant's own contributions.

### **Full Cash Refund.**

This type of benefit is similar to a single life annuity except that it pays the balance of the actuarial value to a designated beneficiary at the participant's death.

### **Period Certain**

The most common form of Period Certain annuities are 5 year and 10 year certain annuities. The actuarial value of a single life annuity is paid over a 5 or 10 year guaranteed period. If the participant dies before the designated period, any payments not paid prior to the participant's date of death are paid to a designated beneficiary or estate. There are no payments made after the expiration of the designated period. This form of benefit is sometimes referred to as a "guaranteed" annuity.

### **Period Certain and Continuous.**

Another type of Period Certain annuity is the Period Certain and Continuous annuity. This type of annuity pays a reduced annuity over a 5 or 10 year period. If the participant dies within the designated period, the remainder of the unpaid benefits are paid to the designated beneficiary or estate. If the participant dies after the designated period, the benefit continues to be paid until the participant's date of death.

### **Level Income Option.**

The level income option form of benefit is sometimes offered to participants at early retirement. The retirement annuity benefit is paid so that when Social Security benefits begin, the combination of the retirement benefit and Social Security benefit are level throughout the retirement period. The retirement benefit paid prior to commencement of Social Security, is higher. When Social Security benefits begin, the retirement benefits are reduced.

### **Pop-up Benefit.**

Some plans provide a special form of benefit called a "pop-up benefit" that restores the participant's annuity to the full single life annuity upon the death of the beneficiary prior to the death of the participant. In some cases, the alternate payee can designate a beneficiary other than the participant to receive this "pop-up" benefit.