



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Love On The Rocks: A QILDRO STORY

Actuarial

Audit

**Financial
Services**

Pension

Tax

Prologue

- Qualified Illinois Domestic Relations Order
- 40 ILCS 5/1-119 (update eff 07/01/06)
- Only applicable against contribution refund or retirement pension (not a disability pension) (*all notable points are in red font*)

Chapter One
The Happy Couple

or

*All The Stuff You Need To Know
To Follow Along*

In The Beginning...

- Adam weds his childhood sweetheart Eve on September 4, 1999.
- Adam joins the Eden Fire Department and the Eden Firefighters' Pension Fund on October 21, 2000.

The Not-So-Happy Couple...

Adam comes home early one night from his meeting at the Garden Lodge and finds recovering drug addict Eve stoned and passed out on the couch.

After Eve refuses to re-enter rehab, Adam files for divorce.

Adam's Financial Future

Adam meets with his divorce attorney Mr. Serpent who explains that Adam's eventual Eden FF retirement pension can be addressed one of three ways within the divorce decree:

- Options:
 1. Eve can *leave* Adam's *pension alone*
 2. Adam can "*buy out*" Eve
 3. Adam's monthly pension can be divvied up through a *QILDRO*

Adam's Financial Future

- *Option #1: Eve can leave Adam's pension alone.* Adam knows Option #1 is not a possibility because Eve needs money to support her habit.
So....now to Option #2
- *Option #2: Adam can "buy out" Eve.* Adam doesn't want to give Eve part of his monthly retirement benefit, so he decides he will buy her out and picks Option #2.

Adam's Financial Future

- *Option #2: Adam can “buy out” Eve.*

Mr. Serpent explains that first Adam must determine the **actuarial value** of his pension benefit before they can make Eve a buy-out offer.

- (A “buy out” is an actuarial calculation of the lifetime value of the pension benefit; the amount of member contributions is irrelevant.)

An Offer She Can't Refuse

Adam contacts best pal and part-time actuary Romeo to determine the actuarial value of Adam's pension.

- *This cost of this calculation is borne by the member, not the pension fund.*

Based on Romeo's calculation, Adam and Attorney Serpent make a lump-sum buy-out offer to Eve through her attorney, Mr. Solomon. Eve rejects the offer. *So....now to Option #3*

She Refused

Option #3: Adam's monthly pension can be divvied up through a QILDRO

Knowing that Adam's pension will now be addressed through a QILDRO, the couple agree that Eve will be entitled to some portion of the monthly pension benefit Adam earned while they were married.

This decision is reflected in the Divorce Decree, which is filed in court on 08/16/07.

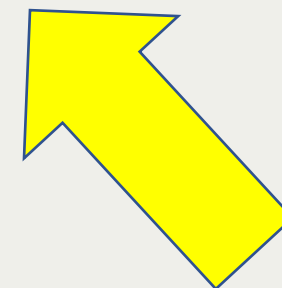
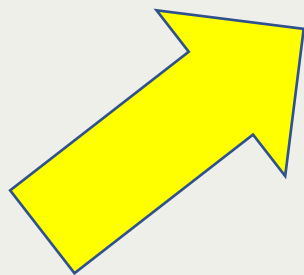
Birth of a QILDRO

Adam takes a copy of the court-filed Divorce Decree to the Eden FF Pension Fund for their records.

Pension Board President Figg accepts the decree but tells Adam that the only way the pension fund can allocate part of Adam's retirement pension to Eve is with direction from **QILDRO documents**.

Birth of a QILDRO

Note: a pension fund cannot allocate a portion of a member's benefit with a Divorce Decree; this can only be accomplished through a QILDRO.



Accountants to the Rescue

Adam relays Board President Figg's comments to his attorney, Mr. Serpent, who calls the pension fund's accountants looking for forms and advice on how to file a QILDRO.

Attorney Serpent is directed to the **IDOI webpage** and locates all 3 **QILDRO forms** as well as a handy **"QILDRO For Dummies"** manual.

Birth of a QILDRO

Adam's attorney, Serpent, contacts Eve's attorney, Solomon, to start the QILDRO process.

Attorney Solomon serves a subpoena on the Eden Firefighters' Pension Fund to obtain the information needed to complete the QILDRO forms. *Obtaining the information necessary to complete the QILDRO is usually obtained via subpoena. The Fund is also required to provide the information for the preparation of the QILDRO Calculation Order within 45 days of receipt of a QILDRO Order or upon receipt of a request from the member.*

Chapter Two
The QILDRO Forms

or

Everything In This Chapter Is Important

QILDROs

- \$50 processing fee for EACH (including amended) Order.
- QILDRO Order and QILDRO Calculation Order must be filed in court (not the Consent)!
- ALL FORMS should be reviewed/blessed by board attorney, then accepted by Board.

QILDROs

The QILDRO Forms

- 1. QILDRO Order**
- 2. QILDRO Consent Form**
- 3. QILDRO Calculation Order**

1. QILDRO Order

- **PURPOSE: defines participants & parameters**
 - Names Pension Fund
 - Names member, ex-spouse (“**alternate payee**”)
 - Social security numbers
 - Addresses ← *important!*

1. QILDRO Order

- **PURPOSE** *con't.*
 - Defines Monthly Retirement Benefit for alternate payee
 1. Flat dollar amount per month
 2. Flat % of member's gross monthly pension
 3. “% of the marital portion”
 - Identifies inclusion/exclusion of COLAs

Everything on this slide is determined by the member and the alternate payee during divorce proceedings.

1. QILDRO Order

- **PURPOSE *con't.***
 - Defines allotment of Contribution Refund
 1. Flat dollar amount
 2. Flat % of member's gross refund
 3. “% of the marital portion”

Everything on this slide is determined by the member and the alternate payee during divorce proceedings.

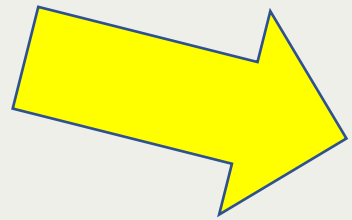
2. *QLDRO Consent Form*

- **PURPOSE: Pension fund requires consent of the member to make payment to someone other than the participant.**
 - Required only if member was hired before 07/01/99
 - Is not filed in court

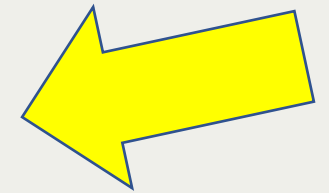
3. QILDRO Calculation Order

- **PURPOSE: math**
 - Required *only* if the QILDRO Order indicates allocation is a % of the gross benefit or a % of the marital portion.
 - Must be completed by the divorce attorneys, the member and the alternate payee – not the Pension Fund’s trustees or vendors.
 - Upon retirement, Pension Fund:
 - advises parties of retirement and need for Calculation Order
 - provides final data for Calculation Order

3. *QILDRO Calculation Order*



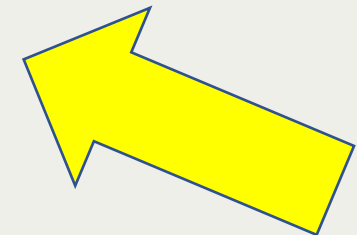
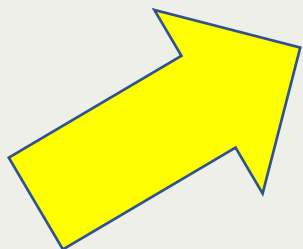
**The only LEGAL way to calculate
the QILDRO benefit**



(if not specified as a flat dollar amount)

is with a

QILDRO Calculation Order



3. QILDRO Calculation Order

- Marital Portion Benefit Calculation Formula:

$$(A / B) \times C \times D$$

- **A** = number of **full** months married and working
- **B** = number of **full** months worked
- **C** = **gross amount of monthly pension benefit**
- **D** = % from QILDRO Order

3. QILDRO Calculation Order

- **NOTE:**

$$(A / B) \times C \times D$$

□ **B** = number of **full** months worked

- *you don't know this until the member separates service....so this form cannot be completed until the member separates service!*
- Upon retirement, Pension Fund (or their attorney) advises parties of need for QILDRO Calculation Order and provides final information.

3. QILDRO Calculation Order

Q:WHAT IS MISSING from this formula?

$$(A / B) \times C \times D$$

- *A = number of full months married*
- *B = number of full months worked*
- *C = gross amount of monthly pension benefit*
- *D = % from QILDRO order*

A: The member's salary at the time of divorce! → IRRELEVANT!

What Do You Need To Have / To Do?

	Active Member	Retired Member	\$50 Processing Fee*	Filed in Court	Reviewed by Pension Board Attorney	Accepted by Pension Board
QILDRO Order	✓	✓	✓	✓	✓	✓
QILDRO Consent	✓	✓			✓	✓
QILDRO Calculation Order **	n/a	✓	✓	✓	✓	✓

*Payable to your Pension Fund, needed for every Order (including Amended Orders)

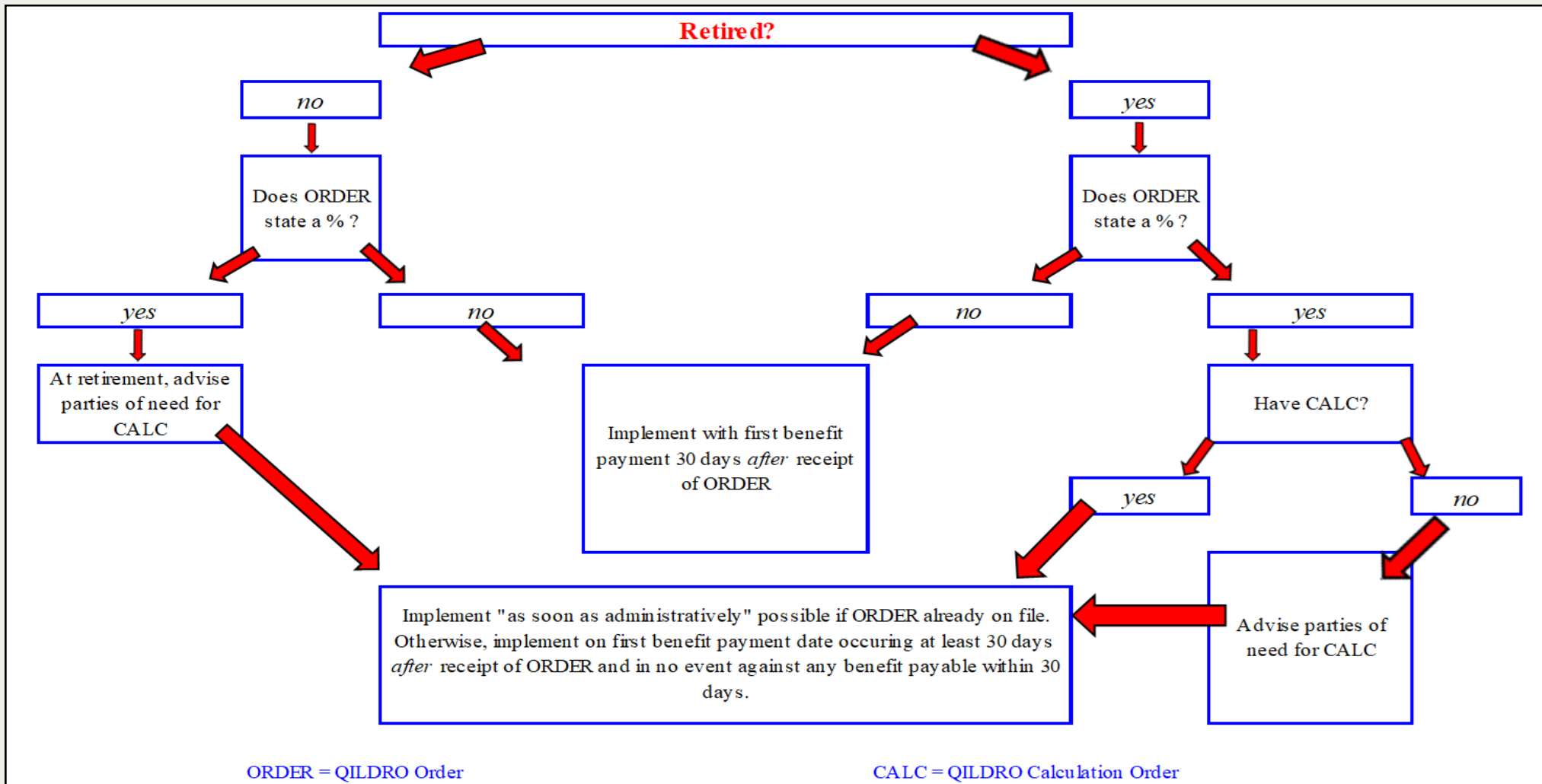
** Only needed if QILDRO Order reflects “% of gross benefit/refund” or “% of marital portion”

Chapter Three
Fun With Flow Charts

or

*This Is Why I Stopped Reading
Choose-Your-Own-Ending Books*

Show Me The Money: Retirement



Chapter Four
Taxes

or
The Silver Lining Of A QILDRO

TAXES

- 1099-R Member
 - Box 1 = Gross Benefit **as if no QILDRO**
 - Box 2a = Box 1 – QILDRO – Box 5
 - Box 4 = Federal tax withheld
 - Box 5 = After-tax contributions recovered, if applicable
 - Box 7 = Distribution code

TAXES

- 1099-R Alternate Payee
 - Box 1 = Gross QILDRO Benefit
 - Box 2a = Box 1 – Box 5
 - Box 4 = Federal tax withheld
 - Box 7 = Distribution code (“7”)

Chapter Five
The Rotten Apple

or

Back To Our Story

QILDRO & Disabilities

Our pal Adam has picked up the pieces and carried on with his life, working his way up the ranks within the Eden Fire Department.

In 2014, while walking through his garden he trips over a rotten apple lying on the ground, injuring his knee. He applies for and is granted a non-duty disability pension.

QILDRO & Disabilities

Eve's hears of Adam's injury from BFF Juliet. Eve is soon looking forward to collecting part of Adam's disability pension.

When Eve lets Attorney Solomon know about Adam's disability pension, Solomon advises her that the **QILDRO does not apply to disability benefits***

**Court can order direct payments between the parties, and then some...*

QILDRO & Disabilities

Adam has successful surgery on his knee and returns to work.

Adam buys back his service time that was lost while receiving the disability pension and makes his creditable service whole for pension purposes.

Chapter Six
*Statutory Math:
A Lawyer's Nightmare*

or
*Why Doesn't My Calculator Have
A QILDRO Button?*

Math

Adam retires from the Eden Fire Department effective 11/01/20.

The pension fund advises Solomon that it is time to prepare and file a QILDRO Calculation Order. Solomon sharpens his pencil and performs the statutory calculations using the QILDRO Calculation Order:

$$(A / B) \times C \times D$$

Math **FYI ONLY – FINAL CALCULATIONS ARE DETERMINED by QILDRO CALCULATION ORDER**

- Married from 09/04/99 – 08/16/07 (7 years, 11 months, 13 days)
- Creditable service from 10/21/00-10/31/20 (20 years, 11 days)
- QILDRO Order grants Eve a QILDRO benefit of 50% of the marital portion of Adam's monthly retirement benefit
- Adam's initial gross monthly benefit is \$7,500.00

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- Adam's initial gross monthly benefit is \$7,500.00

□ **A** = number of **full** months married and working

□ 10/21/00 - 08/16/07 → 81

□ **B** = number of **full** months worked

□ 10/21/00 - 10/31/20 → 240

□ **C** = **gross amount of monthly pension benefit** → \$7,500

□ **D** = % from QILDRO Order → 50%

Math **FYI ONLY – FINAL CALCULATIONS ARE DETERMINED by QILDRO CALCULATION ORDER**

$$(A / B) \times C \times D$$

$$(81 / 240) \times (\$7,500) \times (50\%)$$

$$= \$1,265.63 \text{ to Eve}$$

(Note that Eve's benefit is 50% of the marital portion but only 17% of the gross benefit.)

Chapter Seven
*Ending a QILDRQ:
Finding Love Again (& Again)*

or
Honey, This Coffee Tastes Funny

QILDR0 & Remarriage

Adam is enjoying retirement and he soon finds love again in the arms of neighbor Juliet. Juliet divorces Romeo and she and Adam marry on 12/31/20.

Eve & Romeo decide to call it even and get married 02/14/21.

QILDRO & Remarriage

POP QUIZ

1. Now that Adam has remarried, does the QILDRO benefit going to Eve stop?
2. When Eve remarries, does the QILDRO benefit she is receiving from Adam stop?

QILDRO & Remarriage

POP QUIZ

1. Now that Adam has remarried, does the QILDRO benefit going to Eve stop? **NO**
2. When Eve remarries, does the QILDRO benefit she is receiving from Adam stop? **NO**

QILDRO & Remarriage

- **A QILDRO stops** when
 - The alternate payee passes away, *or*
 - The member passes away, *or*
 - A court order is filed to stop the QILDRO, *or*
 - After a specified number of payments are made to the alternate payee as identified in the QILDRO.

Multiple QILDROs

In mid-March 2021, Juliet gets the mail, sees something suspicious addressed to Adam, and opens the envelope, finding a copy of a new set of QILDRO forms, allocating part of Adam's retirement pension to someone named Delilah James.

Adam explains to Juliet that he met Delilah during a wild weekend in Vegas shortly after his divorce from Eve. He and Delilah got married but then divorced 4 months later.

Multiple QILDROs

Delilah's QILDRO paperwork also grants her 50% of the marital portion of Adam's retirement. (It will be a **smaller benefit** than Eve is receiving, **because Delilah was married to Adam for a shorter period of time.**)

But Juliet learns **there is no limit to the number of QILDROs that can be attached to Adam's pension.**

Juliet is not happy.

Multiple QILDROs

A few months after Delilah's QILDRO begins, Adam starts feeling unusually tired and soon develops headaches and intense nausea. Within weeks, Adam passes away.

What happens to Eve's QILDRO?

What happens to Delilah's QILDRO?

Multiple QILDROs

A few months after Delilah's QILDRO begins, Adam starts feeling unusually tired and soon develops headaches and intense nausea. Within weeks, Adam passes away.

What happens to Eve's QILDRO? **IT STOPS**

What happens to Delilah's QILDRO? **IT STOPS**

STOP In The Name of Love

- Each QILDRO is attached to *Adam*, who has passed away.
- Each QILDRO is attached to Adam's *retirement benefit*, which ends when Adam passes away.

Juliet is happy.

STOP In The Name of Love

So.....what happens to Adam's pension?

STOP In The Name of Love

So.....what happens to Adam's pension? **IT STOPS**

Adam (*fire*) & Juliet married post-retirement so they must be married for the **12 months** immediately preceding Adam's death for Juliet to receive a surviving spouse benefit.

- Date of marriage = 12/31/20
- Adam passed away in April 2021

Juliet is not happy.

The End

Thank You

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