




RETIREMENT BOARD POLICY AND REFERENCE MANUAL

SUBJECT: ADMINISTRATION OF DOMESTIC RELATIONS ORDERS	Section: 2-22 Date Adopted/Revised: 03/11/2009
SYSTEM(S): JOINT	Approved:  Retirement Administrator

PURPOSE

The purpose of this policy is to provide staff with guidance regarding the administration of Domestic Relations Orders (“DRO”). The provisions of a DRO are subject to the applicable provisions of the Fresno Municipal Code.

When a divorce occurs, a filed court Order must be presented to the Retirement Office. The Order should outline the disposition of the Member’s retirement benefit. If no division of the retirement benefit is made, the Order should indicate so, and no further action will be required by the Retirement Office. If, however, the retirement benefit is to be divided, a DRO must be prepared and filed with the Retirement Office. The DRO must indicate the division of the retirement benefit and the Post Retirement Supplement Benefit (PRSB).

POLICY

1. Divorce Occurs Prior to Termination, Retirement or DROP Participation

a. Termination

At termination, a Member will be prohibited from cashing out any retirement contributions until a filed Order setting forth the disposition of the Member’s retirement benefit has been received by the Retirement System. If the retirement benefit is to be divided, a DRO is to be prepared. When the filed DRO is received, the contributions and service credits will be divided pursuant to the DRO. The Member will thereafter have the option of cashing out his or her remaining portion of the retirement contributions or leaving it in the System.

b. Retirement

- **Combined Account** – The Member’s retirement benefit and PRSB will be divided pursuant to the DRO. The Non-Member’s benefit is revalued for his/her lifetime and payments will begin upon the retirement of the Member.

- **Separate Account** – The Member’s retirement benefit and PRSB will be divided pursuant to the DRO. The Non-Member will be eligible to receive his/her community property portion of the retirement benefit when both the Member and Non-Member are of retirement age. The Non-Member’s benefit will be revalued for his/her lifetime.

c. DROP

- **Combined Account** - The DROP deposit and PRSB, if applicable, will be divided pursuant to the DRO. A DROP account in the name of the Non-Member will be established. The Non-Member’s community property portion of the DROP deposit will be revalued for his/her lifetime and be deposited on a monthly basis until such time as the Member separates from City service.
- **Separate Account** – The Member’s DROP deposit and PRSB, if applicable, will be reduced by the Non-Member’s award and deposited on a monthly basis until such time as the Member separates from City service. The Non-Member is not entitled to a DROP account.

2. Divorce Occurs After Termination, Retirement or DROP Participation

a. Termination

If the Member received a refund of contributions prior to the divorce, the System has no contributions or benefits to divide. If the Member left his/her contributions on deposit with the Retirement System, the DRO will direct the System as to the division of contributions and service credits.

b. Retirement

The monthly benefit and PRSB will be divided pursuant to the DRO. The Member’s retirement benefit will be reduced to reflect the Non-Member’s award. The Non-Member’s monthly benefit will be revalued for his/her lifetime. If the Member has a DROP account, the DRO will specify how the account is to be divided.

c. DROP

- **Combined Account** – The existing DROP account, DROP deposit and PRSB, if applicable, will be divided pursuant to the DRO. A DROP account in the name of the Non-Member will be established. The Non-Member’s community property portion of each DROP deposit will be

revalued for his/her lifetime and deposited on a monthly basis until such time as the Member separates from City service.

- **Separate Account** – The existing DROP account will be divided pursuant to the DRO. A DROP account in the name of the Non-Member will be established. The DROP account will accrue interest until such time as the Non-Member is eligible to file an application for retirement benefits. The Non-Member is not entitled to future DROP deposits. When the Non-Member is eligible to file an application for retirement benefits, the community property award will be revalued for his/her lifetime and monthly payments begin. The Member's future DROP deposits and PRSB, if applicable, will be reduced to reflect the Non-Member's award and deposited on a monthly basis until retirement.

3. Divorce is Pending at Termination, Retirement or Entry Into DROP

a. Termination

At termination, a Member will be prohibited from cashing any retirement contributions until a filed Order setting forth the disposition of the Member's retirement has been received by the Retirement System. When the filed DRO is received, the contributions and service credits will be divided pursuant to the DRO. The Member will then have the option of cashing out his or her remaining portion of the retirement contributions or leaving it in the System.

b. Retirement

The Member will not be denied retirement during divorce proceedings. A Disclosure Notice must be signed by the Member acknowledging that the retirement benefit will be adjusted according to the filed DRO. The Member will receive the full retirement benefits during this time. If there is a DROP account involved, no payments will be made from the account but interest will accrue during this period.

- **Combined Account** – The retirement benefit will be divided pursuant to the DRO. The Non-Member's community property portion of the retirement benefit will first be revalued for his/her lifetime and be paid on a monthly basis. The Member's benefit will be adjusted to reflect the Non-Member's community property award. If the DRO directs the System to pay retroactive payments to the Non-Member, the amount that is determined to be an overpayment will be recouped by reducing future benefits over a specified period of time. If a DROP account is involved,

the account will be split as directed in the DRO. An election must be made regarding disbursements from the DROP account.

- **Separate Account** – This option would only be used by a Non-Member wishing to receive a full distribution of the community property award. If chosen, the DRO will direct how the contributions are to be divided. The Member's retirement benefit will then be reduced by the community property benefit equivalent.

c. **DROP**

The Member will not be denied entry into DROP during divorce proceedings. A Disclosure Notice must be signed by the Member acknowledging that the DROP account, future DROP deposits and PRSB, if applicable, will be adjusted according to the filed DRO.

- **Combined Account** – The existing DROP account, DROP deposit and PRSB, if applicable, will be divided pursuant to the DRO. A DROP account in the name of the Non-Member will be established. The Non-Member's community property portion of the DROP deposit will be revalued for his or her lifetime and be deposited on a monthly basis until such time as the Member separates from City service.
- **Separate Account** – The existing DROP account will be divided pursuant to the DRO. A DROP account in the name of the Non-Member will be established. The DROP account will accrue interest until such time as the Non-Member retires. The Non-Member is not entitled to future DROP deposits. When the Non-Member is eligible for retirement, the community property award will be revalued for his/her lifetime and monthly payments will begin. The Member's future DROP deposits and PRSB, if applicable, will be reduced to reflect the Non-Member's award and deposited on a monthly basis until retirement.

1. Adopted 2/09/2005
2. Annual Review, administrative changes, revised 2/11/2009