



PENSION APPRAISERS ONLINE, INC.

P.O. Box 4396 • Allentown, PA 18105-4396
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PensionAppraisalDesk
online pension valuations

PENSION VALUATION FOR EQUITABLE DISTRIBUTION

REPORT DATE: **December 9, 2015**

FILE #: **SAMPLE**

REQUESTOR: **John Smith**

METHOD OF VALUATION: **GATT**

PENSIONHOLDER: **Jane Jones**

SEX: **Female**

VALUATION DATE: **September 30, 2015**

BIRTH DATE: **April 3, 1969**

MARRIAGE DATE: **July 31, 1993**

MARRIAGE END DATE: **September 30, 2015**

PLAN NAME: **New York State Teachers' Retirement System**

DATE EMPLOYMENT STARTED: **September 1, 1994**

(Assumed date pensionholder began participating in the plan)

DATE BENEFITS STOPPED ACCRUING: **September 30, 2015**

(Assumed date pensionholder ended participation in the plan)

AGE WHEN BENEFITS COMMENCE: **62 Years** MONTHLY BENEFIT: **\$ 2,153.00**

MORTALITY TABLES: **1994 Group Annuity Mortality Tables for Healthy Females with Projection Scale AA applied for year 2015.**

INTEREST RATE ASSUMPTION: **2.95 %** (30-Year U.S. Treasury Bond Rate)

COST OF LIVING ADJUSTMENT: **0.81 %**

(First Cola Adjustment is made **5 Years** after Retirement and is **Non-Compounding**)

REDUCTION FOR NON-VESTING: **1.0000**

(Represents a reduction for the probability of service to 100 percent vesting as equal to the portion already completed.)

REDUCTION FOR MARITAL COVERTURE FRACTION: **1.0000**

(Represents that portion of the value of the benefits attributable to the marriage. The numerator represents the total period of time the pensionholder participated in the plan during the marriage and the denominator is the total period of time the pensionholder participated in the plan.)

PRESENT VALUE BEFORE REDUCTIONS:	\$	279,137.64
Reduction for Non-Vesting:	X	1.0000
Reduction for Marital Coverture:	X	<u>1.0000</u>
PRESENT VALUE FOR EQUITABLE DISTRIBUTION:	\$	279,137.64

MEMO

To: John Jones

The Pension Valuation Report for Lynn Hadity you obtained from www.pensionappraisaldesk.com indicates that the Present Value for Equitable Distribution of this pension benefit with the New York State Teachers' Retirement System is substantial. Should you determine that the preparation of a Qualified Domestic Relations Order (QDRO) or Domestic Relations Order (DRO) is required for this divorce, please consider these two options:

Our In-House Solution \$495 per Order

This is the traditional way of doing business. You provide a completed request form by mail or fax and we prepare the Order within 5-7 business days. Expedited service is available for an additional fee. Call (800) 447-0084 to have forms faxed, mailed or emailed to you or go to www.pensionappraisers.com to download the form from our website.

Our Online Solution \$299 per Order

You create an account on www.qdrodesk.com. After creating your account you login and answer a series of questions (the same questions asked on the request forms utilized in our In-House Solution). Once you answer all the questions you print the Order out of your computer. Go to www.qdrodesk.com to create an account and get started. Call (877) 770-2270 with any questions.

Both Our In-House and Online Solution can generate Orders for the following Types of Plans:

- ***DEFINED BENEFIT PLANS (ERISA)** - Qualified Domestic Relations Order
- ***DEFINED CONTRIBUTION PLANS (ERISA)** - Qualified Domestic Relations Order
- ***CIVIL SERVICE RETIREMENT SYSTEM (CSRS)** - Court Order Acceptable for Processing
- ***FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)** - Court Order Acceptable for Processing
- ***INDIVIDUAL RETIREMENT ACCOUNTS (IRA)** - Qualified Domestic Relations Order
- ***RAILROAD RETIREMENT SYSTEM (RRS)** - Qualifying Court Order
Tier 2 Vested & Supplemental Annuity Benefits
- ***MILITARY RETIREMENT SYSTEM (MRS)** - Military Qualifying Court Order
- ***THRIFT SAVINGS PLAN (TSP)** - Qualifying Retirement Benefits Court Order
- ***TIAA/CREF (ERISA)** - Qualified Domestic Relations Order
- ***STATE / LOCAL / & TEACHERS RETIREMENT SYSTEMS** - Domestic Relations Order
and/or Qualified Domestic Relations Order



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EXPLANATION OF PENSION VALUATION REPORT

REPORT DATE: **December 9, 2015**

FILE #: **SAMPLE**

REQUESTOR: **John Smith**

PENSIONHOLDER: **Jane Jones**

METHOD OF VALUATION: GATT Appraisal

This approach utilizes Group Annuity Mortality Tables and an interest rate based upon the 30-Year U.S. Treasury Bond Constant Maturity Rate. Present Value is determined as follows:

- 1) Calculate the amount of the monthly pension benefit assuming the pension holder is at retirement age with a fully vested pension based upon compensation and plan provisions as of the date the marriage ended.
- 2) Use the Group Annuity Mortality Tables to gauge lifespan and the 30-Year Treasury Bond rate for discounting.
- 3) Reduce the amount for the non-vesting status of the pensionholder, if applicable.
- 4) Apply the coverture fraction, if applicable, based upon the property model of the state which has jurisdiction over the divorce case.

The appropriateness of the Coverture Fraction depends upon the property model adopted by state court with jurisdiction over the divorce. There are two basic property models.

A. " All Property Model" - Under this model, the court can divide any interest which constitutes property and is owned by one or both parties on the date of classification. In other words, it doesn't matter when the property was acquired or whether it was before the marriage or during the marriage. Under this model, all property owned on the date the marriage ended (date of classification) constitutes marital property subject to division in the divorce.

B. "Dual Classification Model" - This model is similar to the "All Property Model" in that in order to be divided in a divorce, the property must be owned by one or both parties on the date the marriage ended. However, the difference is that the property must have been acquired during the period of marriage. Therefore, under this model, only that portion of the pension benefits earned during the marriage are considered marital property subject to division in the divorce. Any portion of a pension earned before the date of marriage is considered separate property.

The State of New York follows the "Dual Classification Model". Therefore, the application of the Coverture Fraction would be considered to be appropriate.

PENSIONHOLDER: The individual whose pension is being valued.

SEX: The gender of the pensionholder.

VALUATION DATE: The date from which the interest rate used in determining present value is drawn, thereby establishing value as of such date. The valuation date represents the point in time when the pension is being appraised (valued). The Present Value of the monthly benefit the pensionholder (employee) will receive is very sensitive to this date because it affects and determines the following:

- 1) The age of the pensionholder.
- 2) The time remaining until benefits commence (unless already retired).
- 3) The interest rate(s) to be used to calculate the value.
- 4) The future estimated lifetime of the pensionholder.

The laws for each State vary regarding the Valuation Date. According to the case law in the State of New York [Thomas, 634 N.Y.S. 2d 496 - 1995] the preferred date for valuing pensions is the Date of Commencement of the Divorce Action; unless both parties have agreed to another date.

BIRTH DATE: The date of birth of the pensionholder.

MARRIAGE DATE: The date the pensionholder and spouse were married.

MARRIAGE END DATE: The Marriage End Date (also known as Cut-off Date or The Date of Classification) represents the point in time when laws of each state consider that the pensionholder and his or her spouse no longer can acquire marital property. After this date any property either one acquires is considered his or her own. The Present Value of the monthly benefit the pensionholder (employee) will receive is very sensitive to this date because it determines the following:

- 1) The portion of the monthly benefit earned during the marriage.
- 2) The present value of the monthly benefit earned during the marriage.

The laws for each State vary regarding the Date of Classification. According to the case law in State of New York [Majauskas, 474 N.Y.S. 2d 699 - 1994] the date of classification should be the Date of Commencement of the Divorce Action; unless both parties have agreed to use another date.

PLAN NAME: The name of the plan of which the pensionholder is or was a participant.

DATE EMPLOYMENT STARTED: This is the date the pensionholder (employee) began participation in the pension plan. It may be the date the employee started employment. However, some plans can require a waiting period or allow the employee to start participation at the employee's discretion. The Present Value of the monthly benefit the pensionholder will receive is very sensitive to this date because it determines the following:

- 1) The amount of the monthly benefit the pensionholder will receive.
- 2) The portion of the monthly benefit earned during the marriage.

DATE BENEFITS STOPPED ACCRUING: This is the accrual date (usually the Date of Classification/Marriage End Date) through which the benefit has been earned. If the Pensionholder terminated employment, it is the date of termination if prior to the date of classification.

AGE WHEN BENEFITS COMMENCE: The normal retirement age represents the point in time (as defined by the pension plan) when the pensionholder (employee) can stop working and start receiving normal retirement benefits. The Present Value of the monthly benefit the pensionholder (employee) will receive is very sensitive to retirement age because it affects and determines the following:

- 1) The time remaining until benefits commence (unless already retired).
- 2) The future estimated lifetime of the pensionholder.

The laws for each State vary regarding the normal retirement age to be used for valuing pensions for divorce purposes. According to the case law in the State of New York the Normal Retirement Age should be the most likely age the employee will retire based upon the parties circumstances, intentions and available evidence.

If the pensionholder has already retired, the age would be the pensionholder age on the Marriage End Date.

MORTALITY TABLES: The name of the mortality tables used to generate the report.

GATT INTEREST RATE ASSUMPTION: This rate is the 30-Year U.S. Treasury Bond Constant Maturity Rate for the Month of the Date of Valuation. However, if the Valuation Date falls in any month after the date of the report, the current month's rate is the one used. Interest rates and present value have an inverse relationship. Therefore, a lower interest rate results in a higher present value.

COST OF LIVING ADJUSTMENT: A cost-of-living adjustment is an incremental increase in an individual's monthly retirement benefit, granted to keep the retiree's benefits in line with inflation. This should not be confused with a cost-of-living adjustment (a raise) granted to an employee before retirement. When employed in a present value analysis, a COLA lowers the interest rate assumption(s). Interest rates and present value have an inverse relationship. Therefore, a lower interest rate results in a higher present value.

ADJUSTED INTEREST RATE ASSUMPTION: The adjusted interest rate assumption equals the interest rate less any cost-of-living adjustment. Since a COLA is an incremental increase in an individual's monthly retirement benefit, when analyzing such for present value the estimated COLA (when granted) is subtracted from the interest rate. Interest rates and present value have an inverse relationship. Therefore, a lower adjusted interest rate results in a higher present value.

REDUCTION FOR NON-VESTING: A reduction for non-vesting represents the probability of service to 100 percent vesting as equal to the portion already completed. If the reduction is equal to 1.0000 then the member is fully vested and no reduction has been made. (Any number multiplied by 1 equals that number.)

REDUCTION FOR MARITAL COVERTURE FRACTION: A coverture fraction is a tool used to separate that portion of the benefits earned during the marriage from that portion of the benefits that were earned outside the marriage. A marital coverture is calculated as a fraction and is then converted to a decimal and incorporated in the present value calculation. If the reduction is equal to 1.0000, then the benefit was earned entirely during the marriage and no reduction has been made. (Any number multiplied by 1 equals that number.)

PRESENT VALUE BEFORE REDUCTIONS: This is the present value of the pensionholder's entire pension from the date employment started to the date benefits stopped accruing or the date of valuation if the pensionholder has already retire.

PRESENT VALUE FOR EQUITABLE DISTRIBUTION: This is the value to be divided between the parties.