

## FIRST RESPONDERS | BENEFIT COLLISION

# The Pension Independence Carve-Out

Protecting retirement income through Separate Interest QDROs that eliminate dependency on an ex-spouse's life expectancy.

**BOTTOM LINE UP FRONT**

A standard divorce decree can leave your monthly pension check held hostage by your ex-spouse's life expectancy. In a "check-split" scenario, your income could be reduced forever to pay for an ex-spouse's survivor benefits.

## The Problem: Pension Dependency

In most pension divisions during divorce, the court issues a Qualified Domestic Relations Order (QDRO) that splits the pension payments. The most common method -- the "shared payment" approach -- simply divides each monthly check between the former spouses.

This creates a dangerous dependency: if the ex-spouse elects survivor benefits, the monthly payment is reduced. If the ex-spouse predeceases the participant, complex recalculations may or may not restore the full pension amount. The participant's retirement income is permanently intertwined with someone who is no longer part of their financial life.

For first responders -- whose pension often represents 50-70% of their retirement income -- this entanglement creates unacceptable financial risk.

## The Solution: Separate Interest QDRO

We execute a "Separate Interest QDRO," which slices the pension into two completely independent accounts. Rather than sharing a single payment stream, each party receives their own actuarially calculated benefit based on their own life expectancy.

**Complete Independence**

Once the separate interest QDRO is implemented, each party's pension benefit is entirely independent. The participant's monthly payment will never change based on the ex-spouse's choices, health status, or death. Each party can independently elect survivor benefits for a new spouse without affecting the other's income.

**Actuarial Precision**

The division is calculated using actuarial tables that account for each party's age, the marital fraction (years of marriage overlapping with years of service), and the pension plan's specific provisions. This precision ensures both parties receive a

mathematically fair division.

## The Goal

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Once the carve-out is complete, your retirement security is independent; your check will never change based on your ex-spouse's choices or health. This provides the peace of mind to proceed with retirement planning on a stable, predictable income foundation.

## Critical Timing

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Separate Interest QDROs must be requested during the divorce proceedings. If the divorce decree has already been finalized with a shared payment order, modification may be possible but is significantly more complex. First responders contemplating divorce should consult with a pension specialist before finalizing any settlement.

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