

WEST PALM BEACH FIREFIGHTERS PENSION FUND
STATEMENT OF POLICY REGARDING
BackDROP AND SHARE ACCOUNTS

WHEREAS, the West Palm Beach Firefighters Pension Fund ("Fund") provides for Share Account, Deferred Retirement Option Plan and Back Deferred Retirement Option Plan (collectively "DROP") benefits;

WHEREAS, the Board of Trustees of the Fund ("Trustees") desire to adopt a Statement of Policy regarding these benefits;

NOW, THEREFORE, it is hereby resolved that the following Statement of Policy Regarding DROP and Share Accounts is hereby adopted.

I. DISTRIBUTION METHODS - These methods are applicable to distributions from both the DROP and the Share Accounts.

A. Lump sum - If the lump sum method of distribution is selected then the entire account balance will be paid. The full amount will be paid to the retiree or can be rolled over to another qualified plan, at the discretion of the retiree. A retiree can rollover the whole balance or a portion thereof, with the remainder paid to the retiree. The payout/rollover split can be made in any amount of the retiree's choosing but 100% of the balance must be taken from the plan. Any amounts paid directly to a retiree will have a 20% withholding deduction and may be subject to other taxes and/or penalties.

B. Three Installments - If this method is chosen, the account balance will be paid

out to the retiree in three equal annual payments paid over a three year period. These amounts may be paid directly to the retiree or can be rolled over to another qualified plan, at the discretion of the retiree. Any amount paid directly to a retiree will have a 20% withholding deduction and may be subject to other taxes and/or penalties.

C. Monthly installments - If a retiree chooses monthly installments, then the account balance will be paid out on a monthly basis. The following rules will apply to this method of distribution:

1. For retirees who separate from service during calendar year they become age 50 (or older) - The monthly amounts may be determined by the retiree according to his/her need. If the amount of the payment is above the maximum as determined in accordance with the attached annuity tables, the Retiree can be subject to additional taxes and/or penalties. At age 72, or 70½, if the retiree reached that age before December 31, 2019, the monthly installment shall be paid at a rate which meets the minimum distribution rules of Internal Revenue Code §401(a)(9). The amount of the monthly benefit or the method of payment (for example, from monthly to lump sum) can be changed on a semi-annual basis during the open enrollment periods. The amount of the monthly payment can be reduced to zero unless the payee has reached age 72, or 70½, if the retiree reached that age before December 31, 2019. The open enrollment periods will be the months

of February, May, August, and November. During the open enrollment period only, a retiree may request a partial lump sum withdrawal and still continue to receive the monthly payments.

2. For retirees who separate from service before calendar year they become age 50 - The retiree may choose any amount provided the amount of the payment is be within the minimum and maximum as determined in accordance with the attached annuity tables. The amount chosen must continue in effect until at least age 59½. If the amount of the payment is above the maximum, the Retiree can be subject to additional taxes and/or penalties. At age 72, or 70½, if the retiree reached that age before December 31, 2019, the monthly installment shall be paid at a rate which meets the minimum distribution rules of Internal Revenue Code §401(A)(9).
3. A 20% withholding tax applies to all payments.
4. If there are less than 15 times the monthly installment at the start of the fiscal year, then the remaining balance will be paid in a lump sum.
5. Each new retiree may make a request for a partial lump sum withdrawal within 60 days of retirement.
6. Between open enrollment periods, there will be no changes in the method or amount of the payment unless a Retiree has a hardship. A retiree must prove the hardship with documentation. The documentation must be submitted at least 2 weeks prior to the meeting at which the

hardship will be considered. Hardship withdrawals are permitted if both a and b below are met.

a. The Retiree has an immediate and heavy financial need - A need may be immediate and heavy even though it was foreseeable or voluntarily incurred. A need is deemed to be immediate and heavy if it is:

- 1) medical expenses previously incurred by the Retiree, the Retiree's spouse or dependents, or amounts necessary for these persons to obtain medical care;
- 2) costs related to the Retiree's purchase of a principal residence (not including mortgage payments);
- 3) payment of tuition and related educational fees and room and board expenses for the next 12 months of post-secondary education for the Retiree, the Retiree's spouse, children or dependents; or
- 4) payments necessary to prevent the eviction of the employee from the principal residence or to avoid foreclosure on the mortgage on that residence.

b. The distribution is necessary to satisfy the Retiree's financial need - A distribution generally may be treated as necessary to satisfy a financial need if the need cannot be relieved:

- 1) through reimbursement or compensation by insurance or

otherwise;

- 2) by reasonable liquidation of the participants's assets (to the extent that such liquidation would not itself cause an immediate and heavy financial need);
- 3) by other distributions or nontaxable (at the time of the loan) loans from the plans of the employer or by borrowing from commercial sources at reasonable terms; or
- 4) by cessation of elective contributions to other plans.

II. GENERAL CONSIDERATIONS

- A. A Retiree may defer election of payment until age 72, or 70½, if the retiree reached that age before December 31, 2019. Any account balances participate in earnings according to the retiree's election of earnings method.
- B. Loans are available to all DROP participants who have terminated employment up to maximum of \$50,000.00 or one half account balance which ever is less.
- C. Final distributions from the DROP account will be subject to a 10% hold back to account for the crediting of interest. Final disbursements of Share Accounts will be made once the actuarial returns of the Fund have been calculated. Final disbursements of DROP accounts will be made once the DROP statements for the prior quarter have been distributed.
- D. The retiree may withdraw both the Share account or the DROP Account on a monthly basis, or the retiree may request different withdrawal methods for each.
- E. Participants and Retirees may designate beneficiaries to receive any balances

in the Share and DROP accounts upon their death. In the absence of such designation, the benefit will be paid to the Retiree's estate.

- F. Distributions from the transfer of accumulated sick and vacation leave shall not be made until 12 months after the money has been transferred in to the Fund.
- G. Lump sum payments in excess of \$50,000.00 will be paid as soon as administratively possible but no later than 60 days after the date of approval by the Board of Trustees.
 - 1. Should the requests for withdrawal from all retirees exceed \$1,000,000.00 in any quarter, then the time period for the distribution may be extended to 90 days for the excess over the \$1,000,000.00. The excess will be paid on a pro rata basis to all retirees who have requested withdrawals for that quarter. The Trustees reserve the right, in an extreme trading environment (as determined by the Trustees, in consultation with their advisors) to extend the 90 period for the payment of the requested withdrawals.
 - 2. Required Minimum distributions will not be subject to these limitations.
- H. Only during the open enrollment periods in the months of February, May, August, and November, a retiree may request a partial lump sum withdrawal; disbursements will be made April 1, July 1, October 1, and January 1, respectively. All distributions will be made in compliance with the rules of the Internal Revenue Code. To allow flexibility during the declaration of federal and state emergency due to COVID 19, for calendar year 2020, retirees may make

requests for up to \$12,000 each month as a partial lump sum withdrawals from the BackDROP and Share accounts.

- I. If a retiree dies after approval for a lump sum disbursement but before the disbursement is mailed, the disbursement will be made payable to the retiree and it will be sent as approved.

IN WITNESS WHEREOF the Board of Trustees of the West Palm Beach Firefighters Pension Fund has adopted this STATEMENT OF POLICY REGARDING BackDROP AND SHARE ACCOUNTS this ____ day of _____, 2020.

TRUSTEES

_____	_____
_____	_____

Witnessed by: _____

BSJ
April 22, 2020
May 7, 2020
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