

CITY OF MIAMI BEACH POLICE OFFICERS'
RELIEF AND PENSION FUND

SUMMARY PLAN DESCRIPTION

November 2020

CITY OF MIAMI BEACH POLICE OFFICERS' RELIEF & PENSION FUND

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TRUSTEES:

Octavio "Toby" Rabelo, Chair
Timothy Houser, Secretary
Robert Azicri, Trustee
Michael George, Trustee
Jose Reina, Trustee

Scott Baur, Plan Administrator
Miami Beach Police Officers' Relief and Pension Fund

To All Participants of the Miami Beach Police Officers' Relief and Pension Fund:

Please find enclosed with this letter a copy of a Summary Plan Description. This is a plain language summary of your rights and benefits under the Miami Beach Police Officers' Relief and Pension Fund (the "Fund"). The Fund is set forth in Article VIII of the City of Miami Beach Code of Ordinances. The code is accessible on the following: https://library.municode.com/fl/miami_beach.

The Fund was created by the Florida Legislature through Chapter 30985, Laws of Florida, and was most recently amended by ordinance 2018-4199. The booklet contains valuable information explaining how the Fund was established, how its monies are invested, and how you earn entitlement to benefits. It is hoped that this booklet will educate you about this very important benefit available only to Miami Beach Police Officers.

The benefits you receive from the Fund are entirely separate from the benefits you receive under the Miami Beach Firefighters' and Police Officers' Pension Fund. You contribute nothing to the Fund; yet receive valuable benefits upon retirement.

If you have any questions after reading the booklet please feel free to contact any member of the Board of Trustees (the "Board") or the Fund Administrator, all of whose names appear in the booklet.

It should be remembered that the booklet is **merely a summary and does not create any specific legal rights**. All rights are determined under the ordinances and statutes, which establish the Fund.

Sincerely,

The Board of Trustees

November 2020

1. WHAT IS THE OFFICIAL NAME OF THE FUND?

The official name of the Fund is the Miami Beach Police Officers' Relief & Pension Fund. The Fund is commonly referred to by Participants as the "1% Fund" or the "185 Fund."

2. WHAT TYPE OF FUND IS THIS?

This is a defined contribution plan, also known as a share plan. This means that a specific sum of money is deposited into the Fund and is divided into accounts for each Participant. There is no guaranteed minimum benefit.

3. HOW IS THE FUND ADMINISTERED?

A five-member Board administers the Fund. All Trustees must be actively employed Participants of the Miami Beach Police Department and are elected for a four-year term. Trustees are fiduciaries to the Fund and therefore are encouraged to attend annual educational trainings and conferences.

The current Board at the time of the publication of this summary includes: Octavio "Toby" Rabelo, Chair; Timothy Houser, Secretary; Robert Azicri, Trustee; Michael George, Trustee; Jose Reina, Trustee.

In accordance with Florida law, the Chair is the registered agent for service of process, his business address is: Miami Beach Police Officers' Relief and Pension Fund c/o Resource Centers, LLC., 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, FL 33410. In absence of the Chair, any member of the Board is subject to service of process.

A Participant is eligible to hold office as a trustee while in the DROP as he/she is still actively employed under the terms of the Fund.

4. WHO ARE THE FUND'S SERVICE PROVIDERS

The Fund employs various professionals who advise and provide financial, legal, and other services to the Fund and the Board.

Accountant

The Fund's accountant prepares its monthly and annual financial statements and annual DROP statements.

Administrator

The Fund Administrator is in charge of the day-to-day record keeping and management functions of the Fund and is primarily responsible for contact with Participants concerning questions about Fund features and benefits.

The Fund is administered by Resource Centers, whose address is 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, FL 33410. The Administrator may be reached by telephone at 561-426-3277. All Fund and benefit documentation may be obtained at the address and telephone number provided above or by visiting the Fund's website at <http://www.resourcecenters.com/index1.cfm?PT=\Pension Funds\Select Your Fund\Miami Beach Police Officers' Relief and Pension Fund>.

Attorney

The Fund's general counsel acts as an advisor to the Board and assists with all legal matters related to the Fund. The Fund's general counsel is Klausner, Kaufman, Jensen & Levinson. General counsel also provides updates on new developments in pension and retirement system law as well as on a variety of other related areas.

Auditor

The auditor is responsible for auditing the annual financial statements of the Fund.

Custodian

The custodian holds Fund assets in trust.

Investment Consultant

The investment consultant prepares a quarterly report comparing the Fund's performance to certain benchmarks and other criteria.

Investment Management

The Board hires professional investment advisors to invest the assets for the Fund. The Fund's assets are currently invested in a balanced account of equities and fixed income securities as well as real estate.

5. WHAT ARE THE LEGAL DOCUMENTS CREATING THE FUND?

The Fund arises out of Chapter 185, Florida Statutes, which provides a system for the taxation of casualty insurance companies insuring property located within the corporate limits of the City of Miami Beach. The State of Florida rebates .85% of the premium tax on covered insurance to the City of Miami Beach which is used to create a retirement fund exclusively for police officers and their dependents. The Fund is also subject to the provisions of Chapter 112, Part VII, Florida Statutes. The Board has adopted an Investment Policy which may be obtained by visiting the Fund's website using the link provided in Paragraph 4 above.

6. WHAT IS REQUIRED TO BE ELIGIBLE FOR PARTICIPATION IN THE FUND?

Participation in the Fund is open solely to active police officers of the City of Miami Beach. A Participant becomes fully "vested" in the Fund based on his/her tier as determined by their date of hire with the City of Miami Beach. Participants are only entitled to a share allocation after they have become fully vested. If you separate prior to vesting, your account balance will be reallocated within the Fund.

7. HOW ARE MY BENEFITS CALCULATED?

The tax rebate monies received from the State of Florida through the City of Miami Beach are deposited into the Fund each year. An individual account is established for each police officer commencing on their date of hire.

The assets of the Fund are invested in stocks, bonds and other income producing investments. Expenses for the management of the Fund are deducted from investment income. The remaining income is credited to individual accounts on the basis of the account balances for that year. Once a Participant leaves the employment of the City of Miami Beach Police Department, new share allocation ceases, however assets that remain in the Fund are invested and subject to market volatility.

Each active police officer receives two shares per month of employment (leave without pay, suspensions, maternity leave without pay, and military leave exceeding paid military leave will result in a reduced share count). The total number of seniority shares, as indicated in the Fund's annual Financial Statement, is then divided into the annual State of Florida contribution, this produces a par value. That par value is added to the individual Participant's account. The following year, the new distribution is added to the Participant's investment account.

A Participant who retires between fiscal years is entitled to shares from October 1st until their retirement date.

8. WHAT BENEFITS DO I RECEIVE FROM THIS FUND?

At the time of separation from service, a Participant is eligible to receive payment of the balance in their individual account. Ten percent (10%) of a Participant's distribution will be held back pending confirmation of actual investment returns. If a Participant leaves prior to completing ten years of service with the Police Department, the benefit is determined as follows:

- A. A Participant who dies while on Active Duty as a Police Officer is 100% vested in his/her entire Account Balance. A death certificate must be submitted to the Fund Administrator as proof of death. If there is no beneficiary of record or if the beneficiary predeceases the Participant, the entire amount of credit is paid to his/her Surviving Spouse.
- B. A Participant who retires from service or becomes disabled is 100% vested in his/her entire Account Balance.
- C. A Participant who separates from Active Duty for any reason, except A and B above, is entitled to distribution from the Fund equal to his/her vested Account Balance at that time.

Any nonvested amounts which are not distributed under A, B, or C, above will be forfeited by the Participant and reallocated to remaining Participants.

The amount of monies, which a Participant will receive, depends upon the number of years in the Fund and the earnings of the Fund through the deposit of premium tax monies and income from investments. There is no guaranteed minimum amount. Benefits received from the Fund may be taken out in a lump sum or through multiple withdrawals, or they can be "rolled over" (transferred) into a qualified retirement plan. Your questions regarding which option to choose can best be answered by your accountant or tax advisor.

Participants may receive their estimated account balance by visiting the Fund's website at the link provided above in Paragraph 4, then by clicking on the "Share Account Balances" tab.

A Participant will continue to receive credits to his/her individual account while participating in the DROP Plan.

9. IS THIS A QUALIFIED PENSION FUND?

Yes, the Fund is qualified under the rules of the Internal Revenue Service. This means that monies can be “rolled over” (transferred) to a qualified retirement plan. If a Participant opts for cash payment, benefits are taxable on receipt as ordinary income. There may be a 10% penalty for early withdrawal if the Participant separates from service prior to age fifty (50) and does not elect a rollover.

10. HOW AM I TAXED IF I DON'T TAKE A ROLLOVER?

If a Participant does a rollover of his/her account balance directly to an IRA, 457, or other qualified retirement plan, there will be no immediate recognition of income for purposes of federal income taxation. Taxes must be paid on these funds only when funds are received from an IRA, 457, or other qualified retirement plan.

In the event that a Participant does not choose a direct rollover of any portion of his/her account balance, the distribution is taxed in the year it is received. The following rules may apply when a Participant chooses not to do a rollover and instead elects to receive a distribution:

- A. Participants who are younger than age 50 in the year that they separate from service may avoid the 10% tax penalty by waiting to receive benefits until the calendar year in which they turn 59½.
- B. Participants who are 50 or older in the year that they separate are not subject to the 10% early distribution penalty, but would pay ordinary income tax on distributions.
- C. Effective January 1, 2020, the Internal Revenue Code Section 401(a)(9) provides that a Participant's accrued benefit under a qualified plan must commence the later of the calendar year in which the Participant attains age 72, provided the Participant had not attained age 70½ by December 31, 2019, or the calendar year in which the Participant retires.

- D. A Participant may be subject to a 15% “excess distribution” tax penalty if his/her retirement proceeds (from a DROP account, any IRA’s, or qualified retirement plans) exceed the IRS maximum distribution amount for the year in which the distribution is received.
- E. This is our understanding of the current tax issues a Participant may wish to consider. We may not be correct. We are not allowed to give tax advice in any way. Keep in mind the tax laws do change, and they are complex. We recommend and encourage you to seek the advice of a tax professional to determine what is best for you and how you will be impacted.

11. ARE BENEFITS IN THIS FUND FORFEITABLE?

Benefits are forfeitable pursuant to the provisions of Section 112.3173, Florida Statutes, which provide for the forfeiture of retirement benefits of persons convicted of specified offenses. Additionally, forfeiture may also occur pursuant to Section 185.185, Florida Statutes, upon a criminal conviction for fraudulent and/or false acts or statements related to obtaining a benefit from the Fund. The Board may defer acting on a retirement application if criminal charges are pending against a Participant at the time of retirement. Participants who may be subject to forfeiture should contact a legal professional for additional guidance.

12. ON WHAT BASIS ARE FUND RECORDS KEPT?

Fund records are kept in accordance with the provisions of Chapter 112, Chapter 185, Ordinance 2018-4199 and the Internal Revenue Code. All pertinent records of the Fund are kept by the Fund Administrator. The Fund operates on a fiscal year basis, starting October 1 and ending September 30.

13. IF I FEEL THAT I HAVE NOT BEEN PAID THE PROPER BENEFIT, HOW DO I APPEAL?

Applications for retirement are acted on by the Board. Any disputes concerning eligibility may be appealed by an appearance before the Board. A request for appeal must be submitted in writing to the Fund Administrator to be placed on the agenda for the next meeting of the Board. The decision of the Board with regard to benefits is final, subject only to review by the courts.

14. WHAT IF I HAVE FURTHER QUESTIONS OR INQUIRIES REGARDING MY BENEFITS?

Please direct questions and all other inquiries in writing to: Resource Centers, c/o Scott Baur, Fund Administrator, at 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, FL 33410.

FREQUENTLY ASKED QUESTIONS

While the Summary Plan Description explains the origination and structure of the Fund, it does not cover common questions and procedures. The following information should answer most of the questions you may still have.

WHAT SHOULD I DO IF I BECOME DIVORCED?

Changes must be made in writing. No changes can be made by telephone. You may obtain Change of Name or Address forms from any Board member or the Fund Administrator. Forms must be filed with the Fund Administrator.

In the event of a divorce, you may wish to update your address or beneficiary. According to Florida law, a QDRO may not be used to force direct payment of Fund assets to a spouse in a divorce proceeding. However, alternative Orders may be entered by the Court to accomplish the distribution. A sample Order Distributing Fund Assets may be obtained from Fund counsel. The Participant must pay any expenses incurred by the Fund's attorney regarding distribution of monies from the Fund and any other matters relating to the divorce which directly affects the Fund.

HOW DO I VERIFY OR CHANGE MY BENEFICIARIES?

Verifications may be made online by visiting the Fund's website at the address provided in Paragraph 4 above. Verifications may also be made in person. Change of Beneficiary forms can be obtained from any Board member, the Fund Administrator who will mail one to you at the address appearing on our records, (if you have moved you must first submit a change of address in writing), or by visiting the Fund's website.

HOW MUCH MONEY DO I HAVE IN THE FUND?

The Fund issues quarterly statements advising Participants of their earnings or losses and balance.

Management prepares a monthly analysis of the brokerage account and adjusts Participant pay-outs in the following way:

- No full withdrawals are made from the 1st-15th of the month to allow for an analysis of the previous month(s) brokerage account performance to be completed.
- In an increasing market, you are entitled to the amount credited to your account as of the last audited financial statement. Any earnings derived during the following fiscal year will be credited to your account, and the balance paid out after the end of the following fiscal year. Depending on when you retire during the fiscal year, it could take up to one year to receive your credit.
- In a declining market, your balance is adjusted downward by management's estimate of the cumulative decline in fair value of the brokerage account to the month end prior to the withdrawal request. If the market declines further, the Fund will absorb any subsequent losses.

The estimated current value of your account can be obtained by contacting the Fund Administrator.

HOW AND WHEN CAN I TAKE MY MONEY?

Benefits may be "rolled over." You may elect, at the time and in the manner prescribed by the Board, to have any portion of an Eligible Rollover Distribution paid directly by the Fund to an Eligible Retirement Plan. Benefits will be paid upon completed application to the Fund after separation from service. Please note, share account distributions are subject to a 10% hold back to account for the crediting of earnings or losses to the Fund. Benefit payments are subject to IRS regulations, and final approval by the Board.

IF I DO NOT CHOOSE TO TAKE FULL PAYMENT OF MY BENEFITS, WILL I CONTINUE TO EARN INTEREST ON THE MONIES LEFT IN THE FUND?

Yes, a retiree will continue to earn interest on earnings from any money remaining in his/her account pursuant to City Ordinance 2018-4199. However, the retiree bears the risk of loss experienced by the Fund on any remaining money.

IF I DO NOT CHOOSE TO TAKE FULL PAYMENT OF MY BENEFITS WILL I LOSE MY STATE CONTRIBUTION?

No, shares will continue to be paid up until your separation date. However, upon

separation, your balance will continue to be invested and is subjected to market volatility.

Participants who remain employed through the end of the fiscal year, September 30, will receive a full share allocation for the year. Participants who retire at any other time throughout the year will receive a proportional number of shares for that year.

The share calculation formula for your final year of employment is calculated as follows:

Number of shares earned as if the Participant worked the entire year, reduced by the number of months post retirement.

Examples:

- Participants who work 3 months past the fiscal year end will receive a 25% allocation for that year.
- Participants who work 6 months past the fiscal year end will receive a 50% allocation for that year.
- Participants who work 10.5 months past the fiscal year end will receive an 87.5% allocation for that year.

HOW DO I OBTAIN MY FUNDS UPON RETIREMENT OR RESIGNATION?

Call the Fund Administrator to set up an appointment to complete the application or visit the Fund's website to complete the paperwork.

WILL I BE ENTITLED TO BENEFITS IF I AM INVOLUNTARILY DISMISSED?

The answer will depend solely on the reason(s) for your dismissal and whether or not you are facing any criminal charges. If you intend to appeal your dismissal, the Fund cannot accept your application until you have exhausted all appeals. PLEASE NOTIFY THE FUND ADMINISTRATOR IMMEDIATELY UPON THE COMPLETION OF YOUR APPEAL PROCESS. YOU WILL BE REQUIRED TO FILE WITH THE FUND ADMINISTRATOR ANY ORDERS OR JUDGMENTS OVERTURNING THE DISMISSAL. If you have been reinstated, this will allow us to put you back in the active group and restore all monies to which you are entitled. If you lose your appeal, and there are no criminal charges involved, you may complete an application for payment. If you are dismissed, you may be required to complete an affidavit at the time you file your application acknowledging that you are not appealing your dismissal.

HOW DO I REPORT THIS MONEY ON MY TAX RETURN?

Retirees will receive a 1099-R for every year a distribution is received. For all other tax related information please check with your accountant or tax advisor. The Fund Administrator will provide you with a Special Tax Notice regarding Fund payment.

AFTER THE BOARD HAS APPROVED MY APPLICATION, HOW DO I GET MY CHECK?

Checks will be mailed via the United States Postal Service to the address on your application. Should you have questions not covered in this packet, or do not understand the answer to a question, please contact the Fund Administrator.

Sincerely,

The Board of Trustees