

## MIRAMAR FIREFIGHTERS' PENSION FUND

### STATEMENT OF POLICY REGARDING DROP & SHARE DISTRIBUTIONS

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WHEREAS, the Miramar Firefighters' Pension Plan ("Plan") provides for Deferred Retirement Option Plan ("DROP") and Share Account benefits;

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

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

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

A. **Lump sum - Immediate liquidation of account.** If the lump sum method of distribution is selected then the entire account balance will be paid subject to the limits of §415 of the Internal Revenue Code. 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 can be made in any amount of the Retiree's choosing, but the full amount must be taken from the plan. Any amounts paid directly to a Retiree will have a **twenty (20%) percent** withholding deduction and may be subject to other taxes and/or penalties.

B. **Three Installments - Three year liquidation of account.** If this method is chosen, the account balance will be paid out to the Retiree in three annual

payments paid over a three-year period, subject to the limits of §415 of the Internal Revenue Code. 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 **twenty (20%) percent** 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 are age 50 and older upon separation from employment.** 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** ~~70½~~, 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** ~~70½~~. The open enrollment periods will be the months of **February (for April 1 pay date), and May (for July 1 pay date),** August (for October 1 pay

date), **and November (for January 1 pay date)**, and February (for April 1 pay date). 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 are under age 50 upon separation from service when the monthly installments begin. The Retiree may choose any amount provided the amount of the payment is 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** 70½, the monthly installment shall be paid at a rate which meets the minimum distribution rules of Internal Revenue Code §401(A)(9).
3. A **twenty (20%) percent** withholding tax applies to all payments except Trustee-to-Trustee transfers **or rollovers**.
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 **the quarterly** open enrollment periods of **February (for April 1 pay date)**, and **May (for July 1 pay date)**, **August (for**

**October 1 pay date), and November (for January 1 pay date),.**

there will be no changes in the method or amount of the payment unless a Retiree has a hardship. Hardship withdrawals are permitted if **the conditions in** both **paragraphs** 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 **for**:

- 1) medical expenses previously incurred by the Retiree, the Retiree's spouse, dependent or family member, 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 participant'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.

D. Partial Withdrawal. Partial withdrawals will be permitted during **the quarterly** open enrollment periods only. If a partial withdrawal is selected then the member may withdraw any amount, subject to limitation by §415 of the Internal Revenue Code. Between open enrollment periods there will be no changes in the method or amount of payment unless the Retiree has a hardship as defined in Section I C 6 of this Policy.

## II. **FINAL DISTRIBUTION**

- A. Final distributions to retired Members are initially made based upon the balance as of the end of the quarter.
- B. Additionally, at retirement, Members are entitled to a proportionate share of the State Chapter 175 money received in August following the Member's retirement, representing the Member's share of the 175 money

through the Member's termination of employment.

- C. Final distributions for Members who have chosen the Fund's actual investment rate of return shall be made at **eighty (80%) percent** of the prior quarter's balance. **Twenty (20%) percent** of the total final distribution shall be withheld until the following quarter validation date, to account for losses, as detailed below in Item D.
- D. Interest calculations for the final distribution are anticipated to be made in the 45-day period following the end of the quarter. The Member's final distribution is not known until this calculation is completed.
- E. In the event a non-vested Member has been terminated from employment pending post termination arbitration, the Member's proportionate share of the annual Chapter 175 distribution shall be held in reserve pending the outcome of the litigation. If the Member is reinstated then the reserve is credited to the Member's account. If the Member is terminated, the reserve is divided among the other Members on a pro-rata basis, similar to the forfeitures provided for in the Plan Document.

### **III. GENERAL CONSIDERATIONS**

- A. A Retiree may defer election of payment until age **72** ~~70½~~. Any account balances participate in earnings according to the Retiree's election of earnings method.
- B. Participants and Retirees may designate beneficiaries to receive any balances in the DROP and Share accounts upon their death. Such distributions shall be made in a lump sum. In the absence of such

designation, the benefits will be paid to the Retiree's estate.

- C. 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.
- D. All distributions received by the Retiree are subject to the limitations as provided in §415 of the Internal Revenue Code.

IN WITNESS WHEREOF the Board of Trustees has adopted this STATEMENT OF POLICY REGARDING DROP AND SHARE DISTRIBUTIONS this \_\_\_\_ day of \_\_\_\_\_, 2021.

TRUSTEES

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Witnessed by: \_\_\_\_\_