

**ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' PENSION TRUST FUND
STATEMENT OF POLICY REGARDING
DROP ACCOUNTS**

WHEREAS, the St. Lucie County Fire District Firefighters' Pension Trust Fund ("Plan") provides for Deferred Retirement Option Plan ("DROP") benefits;

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

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

I. DISTRIBUTION METHODS

- A. **Lump sum** - If the lump sum method of distribution is selected then the entire account balance will be paid. The full amount, or a portion thereof, will be paid to the Retiree or can be rolled over to another qualified plan, at the discretion of 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 20% withholding deduction and may be subject to other taxes and/or penalties.
- B. **Equal Annual 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. **Annuity** - 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 under 50 upon separation from service - The Retiree may choose any amount provided the payment is made in substantially equal periodic payments over at least 5 years or, if later, until age 59 ½ and is in compliance with Revenue Ruling 2002-62. This amount will not be calculated by the Fund. The amount chosen cannot be modified before the Retiree attains age 59½ or within 5 years from the date of the first payment, whichever occurs last. The Retiree can be subject to additional taxes and/or penalties if the amount is not correctly calculated. At age 70½, the monthly installment shall be paid at a rate which meets the minimum distribution rules of Internal Revenue Code §401(a)(9).
2. For Retirees who are age 50 and older upon separation from service when the monthly installments begin - The monthly amounts may be determined by the Retiree according to his or her need. The amount of the monthly benefit or the method of payment (for example, from monthly to lump sum) can be changed during the open enrollment periods only (month of February and the month of August) and

disbursements will be made April 1 and October 1, respectively and 30 days from the date a member exits the DROP. Members must provide at least 30 days notice. The amount of the monthly payment can be reduced to zero unless the payee has reached age 70½. Additionally, during these payment periods only, a member may request a partial lump sum withdrawal and still continue to receive the monthly payments.

3. A 20% withholding tax applies to all payments paid directly to a Retiree.
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. Between open enrollment periods, there will be no changes in the method or amount of the payment unless a Retiree has a hardship. Hardship withdrawals must be filed with the Pension Fund Administrator at least 30 days prior to the meeting at which it is to be considered. The filing must include documentation of the hardship. 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 70½. Any account balances participate in earnings according to the Retiree's election of earnings method.
- B. Final distributions from the DROP account will be subject to a 10% hold back to account for the crediting of earnings/losses and administrative fees. Final disbursements of DROP accounts will be made once the DROP statements for the prior quarter have been distributed.
- C. Participants and Retirees may designate beneficiaries to receive any balances in the DROP accounts upon their death. In the absence of such designation, the benefit will be paid to the Retiree's estate.
- D. 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.
- E. No amount or number of payments from the DROP accounts are guaranteed. No member is entitled to payments greater than the balance in the account, as maybe reduced by losses and/or expenses.
- F. During the open enrollment periods only (month of February and the month of August), a retiree may request a partial lump sum withdrawal; disbursements will be made April 1 and October 1, respectively. All

distributions will be made in compliance with the rules of the Internal Revenue Code.

IN WITNESS WHEREOF the Board of Trustees of the St. Lucie County Fire District Firefighters' Pension Trust Fund has adopted this STATEMENT OF POLICY REGARDING DROP ACCOUNTS this 16th day of January, 2014.

BOARD OF TRUSTEES

Frank Lamb

Anthony Repolitone

Paul H. Hagedorn

Witnessed by:

Bonnie J.