

**ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' PENSION PLAN
STATEMENT OF POLICY REGARDING
DROP DISTRIBUTIONS**

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

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

WHEREAS, this Policy supersedes and replaces the prior DROP Account Policy dated January 16, 2014;

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

I. **DISTRIBUTION METHODS** - These methods are applicable for distributions from the DROP:

- 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 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 over a period of three years. These amounts may be paid directly to the retiree or can be rolled over to another qualified plan, at the discretion of the retiree and provided such distribution is rollover eligible. Any amount paid directly to a retiree will have a 20% withholding deduction and may be subject to other taxes and/or penalties. The amount to be distributed may be changed to comply with Internal Revenue Code Sections 401(a)(9) and 415.
- C. Equal 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 (provided the member was not age 70½ 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 70½. The open enrollment periods will be the months of August and-February. During the open enrollment period only, a retiree may request a partial lump sum withdrawal and still continue to receive the monthly payments. The amount to be distributed may be changed to comply with Internal Revenue Code Sections 401(a)(9) and 415.

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 made in substantially equal periodic payments over at least 5years or, if later, until 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 (provided the member was not age 70½ 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 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.

A retiree must prove the hardship with documentation. The documentation must be submitted at least 30 days 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 (provided the member was not age 70½ before December 31, 2019). 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 interest. Final disbursements of Share Accounts will be made once the actuarial returns of the Plan have been calculated. 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 Share and 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.

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 and 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.
- I. If a retiree dies after approval for a semi-annual 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 St. Lucie County Fire District Firefighters' Pension Plan has adopted this STATEMENT OF POLICY REGARDING DROP DISTRIBUTIONS this 26 day of July, 2021.

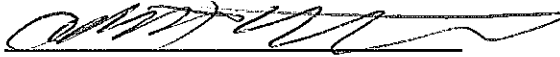
TRUSTEES

Serge Greene, Serge Greene

Ryan H. Sapp RYAN SAPP

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Witnessed by:



BSJ - July 22, 2021
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