

PEMBROKE PINES CITY PENSION FUND FOR FIREFIGHTERS & POLICE OFFICERS
DEFERRED RETIREMENT OPTION PLAN
LOAN RULES

1. ELIGIBLE PARTICIPANT
 - 1.1 Participants who have completed at least 12 months of participation in the DROP shall be eligible to receive a loan from their own DROP account.
2. NUMBER
 - 2.1 Participants may only obtain one loan during any 12 month period.
3. INCREMENTS
 - 3.1 All loans must be in hundred dollar increments.
4. MINIMUM AMOUNT
 - 4.1 The minimum amount which may be borrowed is \$1,000.
5. MAXIMUM AMOUNT
 - 5.1 No loan will be granted to the extent it would exceed the lesser of:
 - (i) \$50,000 reduced by the highest outstanding loan balance during the last twelve months; or
 - (ii) 50% of the Participant's DROP account balance, including after-tax contributions and earnings thereon.
6. TERM
 - 6.1 All loan terms must be at least 12 months and be stated in whole month increments.
 - 6.2 The loan must be repaid within five years.
 - 6.3 The loan may not be extended or renewed beyond its maturity date.
7. INTEREST
 - 7.1 The interest rate for loans will be set by the Board of Trustees on the first business day of each calendar quarter. The interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the calendar quarter plus one percent. The interest rate set applies to loans processed during that calendar quarter.
 - 7.2 The interest rate for a loan will be fixed for the entire term of the loan.
 - 7.3 Interest paid on loans will be the only interest credited on the outstanding loan balance and will be credited to the Participant's DROP account.
8. REPAYMENT
 - 8.1 Loan repayments will be deducted from active Drop Participant's payroll checks. If the net amount of a Participant's paycheck is insufficient to cover the full amount of the loan payment, then by no later than the 1st day of the month the Participant shall pay the additional sum due by submitting a check to the Board of Trustees made payable as provided in Section 9.3.

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- 8.2 Loan repayments will be deducted from each monthly pension check received by non-active/retired DROP Participants. If the net amount of a Participant's pension check is insufficient to cover the full amount of the loan payment, then by no later than the 1st day of the month the Participant shall pay the additional sum due by submitting a check to the Board of Trustees made payable as provided in Section 9.3.
- 8.3 Repayment amounts will be equal throughout the term of the loan.
- 8.4 Repayments shall be applied first to accrued interest and then to principal.
- 8.5 Interest on each loan will begin to accrue on the day the proceeds of the loan are disbursed. Disbursement of loan proceeds shall be on the 1st business day of the month immediately following the month in which the loan is approved by the Board.
- 8.6 Upon the death of the Participant, the loan shall become immediately due and payable.
- 8.7 The loan must be fully prepaid prior to any distribution to a Participant's beneficiary or beneficiaries.

9. PREPAYMENTS

- 9.1 A Participant will have the right to prepay the loan in full as of the end of any calendar month and will not have to pay a penalty. Finance charges paid during the time the loan is outstanding will not be refunded.
- 9.2 Partial prepayment is not permitted.
- 9.3 Prepayments must be made by a check payable to the "Board of Trustees of the Pembroke Pines Pension Fund for Firefighters and Police Officers."

10. LEAVES OF ABSENCE

- 10.1 If a borrowing Participant takes a leave of absence with full pay, the Participant will continue making regular repayments of principal and interest.
- 10.2 If a borrowing Participant takes an approved leave of absence without pay or with less than full pay, the Participant must submit a check to the Board of Trustees no later than the first day of each month. The check must be made payable as provided in Section 9.3.

11. DEFAULTS AND REMEDIES

- 11.1 A loan will be declared in default if:
 - (i) the Participant misses two consecutive monthly payments or four non-consecutive monthly payments are delinquent in any five-year calendar period or, unless the Board of Trustees agrees to an alternate method of payment, revokes his/her authorization for payroll or monthly pension payment deductions; or
 - (ii) the Board of Trustees declares the outstanding balance of a loan to be due and payable as of a date determined, in its sole discretion, by the Board of Trustees (the "Call Date"), which date shall be after the Firefighter or Police Officer ceases to be a Participant in the DROP, and the outstanding loan balance, including any accrued but unpaid interest, is not repaid within ten days of the Call Date.

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- 11.2 Once the loan is declared in default, the entire unpaid balance will become immediately due as of the last day of the month during which it is declared in default. Repayment of the outstanding loan balance must be made by submitting a check to the Board of Trustees payable as provided in Section 9.3.
- 11.3 A loan will not be in default if a Participant fails to make two scheduled repayments, provided that by the end of the following payment period such delinquency is eliminated. Catch-up repayments will be permitted.
- 11.4 If a loan is in default, it will be subject to collection pursuant to appropriate legal remedies and will be subject to offset from subsequent withdrawals and distributions from the DROP, unless collected.
- 11.5 A Participant who has defaulted on a loan shall be refused subsequent loans.

12. SOURCES AND APPLICATION OF FUNDS

- 12.1 Loan amounts will be taken from a Participant's DROP account, first from any amounts in his account that would be taxable if distributed to the Participant and then, if necessary, from any after-tax contributions made under Section 34.52(C)(6) of the City Code which would not be taxable if distributed to the Participant.
- 12.2 Principal shall be repaid to the Participant's DROP account in the reverse order to that in which the money is borrowed under Section 12.1
- 12.3 The Participant's loan re-payments shall be allocated in accordance with the Participant's investment election in effect at the time of repayment.

13. SECURITY

- 13.1 A Participant shall pledge his/her DROP account as security for the loan.
- 13.2 A Participant shall maintain twice the initial loan principal amount in the Participant's DROP account as security for the loan as long as the loan remains outstanding and unpaid.
- 13.3 No collateralizing of assets outside the DROP is required or permitted.

14. LOAN APPLICATION AND PROCESSING

- 14.1 The loan process can be initiated by obtaining a loan application from the Board of Trustees. All loans shall be evidenced by a written promissory note and pledge signed by the Participant personally guaranteeing repayment of the loan.
- 14.2 Loan applications will be approved or disapproved in accordance with uniform and nondiscriminatory procedures adopted by the Board of Trustees.
- 14.3 Loan applications must be completed in full and submitted to the Board of Trustees on or before the last day of the month to be approved and processed as of the end of the following month.
- 14.4 Loan checks will be issued as soon as practicable following the date the loan application is processed and approved by the Board.

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14.5 A loan administration and processing fee shall be charged per loan and shall be paid by check upon submission of the loan application. In addition, a Participant shall pay all other costs and fees related to the loan including but not limited to documentary stamp tax, legal fees, actuarial fees, accounting fees, servicing fees, processing fees and all other taxes and administrative fees such that the DROP loan program shall be administered at no cost to either the Plan or the City. Participant shall be responsible for any other cost or fee related to Participant's loan which is incurred by the Plan between the loan closing date and repayment of the loan in full. Upon receiving notice of any such cost or fee, Participant agrees to remit payment of same within fourteen (14) days by submitting a check to the Board of Trustees made payable as provided in Section 9.3.

15. OTHER

15.1 Participants should note that the law treats the amount of any loan not repaid in five years as of the date of the loan as a taxable distribution on the last day of the five year period, or, if sooner, at the time the loan is in default.

15.2 Participants should further note that in certain circumstances, an additional 10% federal excise tax may apply.

15.3 A Participant should consult his own tax advisor as the Pension Office will NOT provide tax advice regarding any aspect of the DROP, including DROP loans.

15.4 These DROP Loan Rules shall automatically become terms and conditions of all DROP loans.

THESE LOAN RULES ARE PART OF THE ENTIRE AGREEMENT AND I UNDERSTAND THAT THEY ARE TERMS AND CONDITIONS OF MY LOAN AND THAT I AM BOUND BY THEM.

Signature of Participant/Borrower

Date

Signature of Witness

Date