

## BOYNTON BEACH MUNICIPAL POLICE OFFICERS' PENSION FUND

### POLICY FOR PLAN LOANS ON DROP BALANCES

Under the provisions of Ordinance 06-036, effective June 20, 2006, loans from the DROP are available to members of the **BOYNTON BEACH MUNICIPAL POLICE OFFICERS' PENSION FUND**. Loans are available only after termination of employment, provided the member had participated in the DROP for a period of 12 months. Loans may only be made from a member's own account. There may be no more than one loan at a time. The specific rules which will govern the issuance of these loans in accordance with Ordinance 06-036 are as follows:

- a. **Amounts of Loan** - Loans may be made based on the funds available in a participant's individual DROP account as follows:
  1. Maximum loan is 50% of the balance in the DROP account; or a maximum dollar amount of \$50,000.00, whichever is less.
  2. The minimum loan is \$5,000.00.

If a participant has had an outstanding loan balance during the preceding 12 months, the maximum loan may be further reduced by the amount of that loan.

Limitations on loans shall be made from the amounts paid into the DROP and the earnings thereon.

- b. **Term of Loans** - All loans shall be issued for a minimum term of at least one (1) year and a maximum term of five (5) years and shall be repaid in full within this period. A loan may not be extended or renewed beyond its maturity date.
- c. **Interest Rate** - Interest Rate shall be fixed at the time the loan is originated for the entire term of the loan. The Interest Rate shall be equal to the prime rate published by an established local bank on the last day of each calendar quarter preceding the date of loan application.
- d. **Defaults on Loans** - Loans shall be in default if two consecutive months' repayments are missed or if a total of four months' repayments are missed. Upon default, the entire balance becomes due and payable immediately. If a loan in default is not repaid in full immediately, the loan may be canceled and the outstanding balance treated as a distribution, which may be taxable.

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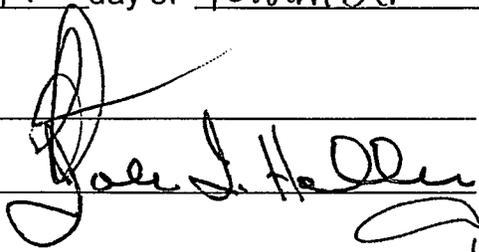
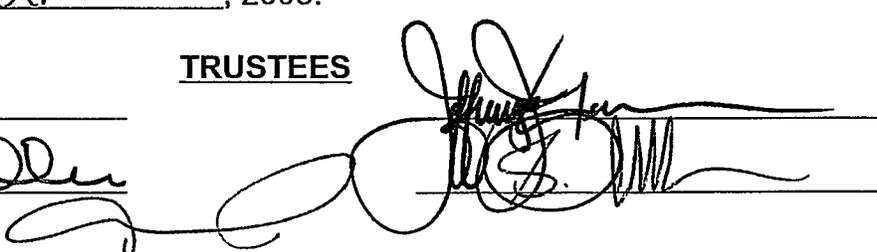
Upon default of a loan, a member will not be eligible for additional loans.

- e. **Loan Payments** - Loan payments shall be deductions from monthly pension distributions.
- f. **Documents and Miscellaneous Provisions** - All loans shall be evidenced by a written loan agreement signed by the member and the Board of Trustees as follows:
  - 1. The agreement shall contain a promissory note;
  - 2. A member's spouse must consent in writing to the loan;
  - 3. The consent shall acknowledge the effect of the loan on the member's account balance;
  - 4. Loans shall be considered a general asset of the Fund
  - 5. Loans shall be subject to administrative fees to be set by the Board of Trustees
  - 6. Outstanding loan balances shall not be credited with earnings or losses. As the outstanding balance is repaid with interest, earnings and losses shall be applied to the payments and interest.
- g. **Application Fee** - A non-refundable fee is charged to cover the cost of processing all loan applications.

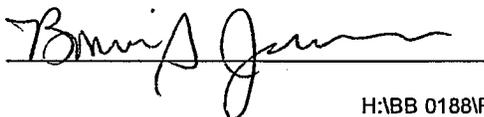
This POLICY FOR PLAN LOANS ON DROP BALANCES is hereby adopted this

14<sup>th</sup> day of November, 2006.

TRUSTEES

  
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Witnessed by:

  
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July 21, 2006