

**411.38 Obligations of participating cities.**

1. Upon the establishment of the statewide system, each city participating in the statewide fire and police retirement system shall do all of the following:

a. Pay to the statewide system the normal contribution rate provided pursuant to [section 411.8](#).

b. (1) Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to [this section](#). Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

(a) Allow the city to make additional annual contributions over a period not to exceed thirty years from January 1, 1992.

(b) Provide that the city shall pay a rate of return on the amortized amount that is at least equal to the estimated rate of return on the investments of the statewide system for the years covered by the amortization agreement.

(c) Contain other terms and conditions as are approved by the board of trustees for the statewide system.

(2) In the alternative, a city may treat the city's accrued unfunded liability for the terminated system as legal indebtedness to the statewide system for the purposes of [section 384.24, subsection 3, paragraph "f"](#).

c. Contribute additional amounts necessary to ensure sufficient financial support for the statewide fire and police retirement system, as determined by the board of trustees based on information provided by the actuary of the statewide system.

2. It is the intent of the general assembly that a terminated city fire or police retirement system shall not subsidize any portion of any other system's unfunded liabilities in connection with the transition to the statewide system. The actuary of the statewide system shall determine if the assets of a terminated city fire or police retirement system would exceed the amount sufficient to cover the accrued liabilities of that terminated system as of January 1, 1992, using the alternative assumptions and the proposed assumptions.

3. As used in [this section](#), unless the context otherwise requires, "*alternative assumptions*" means that the interest rate earned on investments of moneys in the fire and police retirement fund would be seven percent and that the state would not contribute to the fund under [section 411.8](#) and [section 411.20](#), Code 2009, after January 1, 1992, and "*proposed assumptions*" means that the interest rate earned on investments of moneys in the fire and police retirement fund would be seven and one-half percent and the state will pay contributions as provided pursuant to [section 411.8](#) and [section 411.20](#), Code 2009, after January 1, 1992. These assumptions are to be used solely for the purposes of [this section](#), and shall not impact upon decisions of the board of trustees concerning the assumption of the interest rate earned on investments, or the contributions by the state as provided for in [section 411.8](#) and [section 411.20](#), Code 2009.

4. If the determination by the actuary using the alternative assumptions reflects that the assets of the terminated system exceed the amount sufficient to cover the accrued liabilities as of January 1, 1992, all excess funds as determined utilizing the alternative assumptions

and the interest and earnings from those excess funds shall be used only as approved by the city council of the participating city. The city council may approve use of the excess funds to reduce only the city's contribution to the statewide system, or the city council may approve use of the excess funds to reduce the city's contribution and the members' contributions to the statewide system. If the city council approves use of the excess funds to reduce both the city's and the members' contributions, the members shall not withdraw the portion of the members' contributions paid from excess funds, as would otherwise be authorized in accordance with [section 411.23](#).

5. If the determination by the actuary using the alternative assumptions reflects that the assets of the terminated system do not exceed the amount sufficient to cover the accrued liabilities as of January 1, 1992, but a determination by the actuary using the proposed assumptions reflects that the assets of the terminated system do exceed the amount sufficient to cover the accrued liabilities as of January 1, 1992, all excess funds as determined utilizing the proposed assumptions and the interest and earnings from those excess funds shall be used only to reduce the city's contribution rate to the statewide system. The participating city shall determine what portion of the excess funds shall be applied to reduce the city's contribution rate for a given year.

[90 Acts, ch 1240, §88](#); [92 Acts, ch 1197, §1, 2, 4](#); [92 Acts, ch 1201, §71](#); [96 Acts, ch 1187, §107](#); [2010 Acts, ch 1069, §137](#); [2011 Acts, ch 34, §93](#)