

HOUSE FILE 2061
BY COMMITTEE ON STATE
GOVERNMENT

JAN 20 1992

Place On Calendar

(SUCCESSOR TO HSB 501)

Passed House, Date 1-27-92 (p 35) Passed Senate, Date 1/30/92 (p 120)

Vote: Ayes 92 Nays 0 Vote: Ayes 46 Nays 0

Approved May 4, 1992

*Repassed 3/16 (p 511)
aye 77 - nays 19
motion to reconsider lost 4/67*

*motion to reconsider of 185 passed 1/30/92
Repassed 2/20 (p 423)
aye 44 - nays 0*

A BILL FOR

1 An Act relating to the transfer of assets of terminated city fire
2 or police retirement systems with unfunded accrued liabilities
3 to the statewide system, and providing effective and
4 retroactive applicability dates.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*Conference Committee Appointed 3/25/92
Representatives: Libenspan (Chair), Hanson of Kalamazoo,
Carpenter, Knapp and Renaud. (p. 825)
Senators: Keltner (Chair), Running, Murphy,
Carlaug and Pate. (p. 1020)*

*Passed House per C.C. Report 4/21/92 (p 1660)
Passed Senate per Conference Committee Report 4/21/92 (p 1525)
motion to reconsider (p 1541)*

HF 2061

1 Section 1. Section 411.38, subsection 2, Code 1991, is
2 amended to read as follows:

3 2. Transfer from each terminated city fire or police
4 retirement system to the statewide system amounts sufficient
5 to cover the accrued liabilities of that terminated system as
6 determined by the actuary of the statewide system. If the
7 actuary of the statewide system determines that the assets
8 transferred by a terminated system are insufficient to fully
9 fund the accrued liabilities of the terminated system as
10 determined by the actuary as of January 1, 1992, the
11 participating city may enter into an agreement with the
12 statewide system to make additional annual contributions
13 sufficient to amortize the unfunded accrued liability of the
14 terminated system. The terms of an amortization agreement
15 shall be based upon the recommendation of the actuary of the
16 statewide system, and the agreement shall do each of the
17 following:

- 18 a. Allow the city to make additional annual contributions
19 over a period not to exceed thirty years from January 1, 1992.
- 20 b. Provide that the city shall pay a rate of return on the
21 amortized amount that is at least equal to the estimated rate
22 of return on the investments of the statewide system for the
23 years covered by the amortization agreement.
- 24 c. Contain other terms and conditions as are approved by
25 the board of trustees for the statewide system.

26 Sec. 2. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
27 This Act, being deemed of immediate importance, takes effect
28 upon enactment, and applies retroactively to May 3, 1990.

29 EXPLANATION

30 This bill pertains to the transfer of assets from
31 terminated city fire or police retirement systems to the
32 statewide system established under chapter 411. The statewide
33 system was established January 1, 1992. However, some of the
34 terminated city systems transferred assets which were
35 insufficient to fund the accrued liabilities of those systems.

1 The bill permits those cities which are underfunded to
2 amortize the unfunded accrued liabilities by entering into an
3 agreement with the statewide system. The bill permits
4 amortization for a period not to exceed 30 years, and requires
5 the amortization agreement to state that the rate of return on
6 the amortized funds shall be at least as high as the estimated
7 rate of return on investments for the statewide system.

8 The bill is immediately effective upon enactment and
9 retroactively applicable to May 3, 1990, the date of enactment
10 of the legislation establishing the statewide system. The
11 bill may include a state mandate as defined in section 29B.3.

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HOUSE FILE 2061

S-5009

1 Amend House File 2061 as follows:

2 1. Page 1, by inserting after line 25 the
3 following:

4 "Sec. 100. Section 411.38, unnumbered paragraph 2.
5 Code 1991, is amended to read as follows:

6 It is the intent of the general assembly that a
7 terminated city fire or police retirement system shall
8 not subsidize any portion of any other system's
9 unfunded liabilities in connection with the transition
10 to the statewide system. If the assets of a
11 terminated city fire or police retirement system
12 exceed the amount sufficient to cover the accrued
13 liabilities of that terminated system as of January 1,
14 1992, as determined by the actuary of the statewide
15 system, all excess funds and the interest and earnings
16 from those excess funds shall be used only to reduce
17 the city's contribution rate to the statewide system.
18 The participating city shall determine what portion of
19 the excess funds shall be applied to reduce the city's
20 contribution rate for a given year."

21 2. Page 1, by inserting before line 26 the
22 following:

23 "Sec. 101. NEW SECTION. 411.39 BENEFITS FOR
24 EMPLOYEES OF THE BOARD OF TRUSTEES FOR THE STATEWIDE
25 SYSTEM.

26 1. As used in this section, unless the context
27 otherwise requires:

28 a. "Benefit programs" mean the state life
29 insurance program, the state health or medical
30 insurance program, and the state employees disability
31 program administered by the department of personnel.

32 b. "Employees" mean the secretary and other
33 employees of the board of trustees for the statewide
34 fire and police retirement system.

35 2. Employees are eligible to participate in the
36 benefit programs for state employees. Participation
37 in the benefit programs is optional, and an employee
38 may participate by filing an election, in writing,
39 with the board of trustees for the statewide system.
40 The board of trustees shall file these elections with
41 the department of personnel.

42 3. The board of trustees shall determine what, if
43 any, amount of the costs or premiums of the benefit
44 programs shall be paid by the participating employees,
45 and shall deduct the amount from the wages of the
46 participating employees. The board of trustees shall
47 pay the remaining costs or premiums of the benefit
48 programs from the fire and police retirement fund,
49 including any portion to be attributed to an employer,
50 and shall forward all amounts paid by participating

S-5009

SENATE AMENDMENT TO HOUSE FILE 2061

H-5139

1 Amend House File 2061 as follows:

2 1. Page 1, by inserting after line 25 the
3 following:

4 "Sec. 100. Section 411.38, unnumbered paragraph 2,
5 Code 1991, is amended to read as follows:

6 It is the intent of the general assembly that a
7 terminated city fire or police retirement system shall
8 not subsidize any portion of any other system's
9 unfunded liabilities in connection with the transition
10 to the statewide system. If the assets of a
11 terminated city fire or police retirement system
12 exceed the amount sufficient to cover the accrued
13 liabilities of that terminated system as of January 1,
14 1992, as determined by the actuary of the statewide
15 system, all excess funds and the interest and earnings
16 from those excess funds shall be used only as approved
17 by the city council of the participating city.

18 However, the city council shall only approve use of
19 the excess funds for any or all of the following:
20 Reduction of the city's contribution to the statewide
21 system and reduction of the members' contributions to
22 the statewide system."

23 2. Page 1, by inserting after line 25 the
24 following:

25 "In the alternative, a city may treat the city's
26 accrued unfunded liability for the terminated system
27 as legal indebtedness to the statewide system for the
28 purposes of section 384.24, subsection 3, paragraph
29 "f"."

30 3. Page 1, by inserting before line 26 the
31 following:

32 "Sec. 101. NEW SECTION. 411.39 BENEFITS FOR
33 EMPLOYEES OF THE BOARD OF TRUSTEES FOR THE STATEWIDE
34 SYSTEM.

35 1. As used in this section, unless the context
36 otherwise requires:

37 a. "Benefit programs" mean the state life
38 insurance program, the state health or medical
39 insurance program, and the state employees disability
40 program administered by the department of personnel.

41 b. "Employees" mean the secretary and other
42 employees of the board of trustees for the statewide
43 fire and police retirement system.

44 2. Employees are eligible to participate in the
45 benefit programs for state employees. Participation
46 in the benefit programs is optional, and an employee
47 may participate by filing an election, in writing,
48 with the board of trustees for the statewide system.
49 The board of trustees shall file these elections with
50 the department of personnel.

H-5139

-1-

H-5139

Page 2

1 3. The board of trustees shall determine what, if
2 any, amount of the costs or premiums of the benefit
3 programs shall be paid by the participating employees,
4 and shall deduct the amount from the wages of the
5 participating employees. The board of trustees shall
6 pay the remaining costs or premiums of the benefit
7 programs from the fire and police retirement fund,
8 including any portion to be attributed to an employer,
9 and shall forward all amounts paid by participating
10 employees and the board to the department of
11 personnel.

12 4. Participating employees shall be exempted from
13 preexisting medical condition waiting periods.
14 Participating employees may change programs or
15 coverage under the state health or medical service
16 group insurance plan subject to the enrollment rules
17 established for full-time state employees excluded
18 from collective bargaining as provided in chapter 20.
19 A participating employee or the participating
20 employee's surviving spouse shall have the same rights
21 upon final termination of employment or death as are
22 afforded full-time state employees and the employees'
23 surviving spouses excluded from collective bargaining
24 as provided in chapter 20."

25 4. Page 1, by striking lines 26 through 28 and
26 inserting the following:

27 "Sec. 102. EFFECTIVE AND RETROACTIVE APPLICABILITY
28 DATES. This Act, being deemed of immediate
29 importance, takes effect upon enactment, and sections
30 1 and 100 apply retroactively to May 3, 1990."

31 5. Title page, line 3, by inserting after the
32 word "system," the following: "providing for the use
33 of excess funds of terminated city systems,".

34 6. Title page, line 3, by inserting after the
35 word "system," the following: "providing for certain
36 benefits for employees of the statewide system,".

37 7. By renumbering, relettering, or redesignating
38 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-5139 FILED FEBRUARY 25, 1992

adopted (as amended) 2/10 (p. 511)

HOUSE FILE 2061

H-5176

1 Amend the Senate amendment, H-5139, to House File
2 2061, as passed by the House, as follows:

3 1. Page 1, by striking lines 2 through 22.

4 2. Page 1, by inserting after line 29 the
5 following:

6 "____. Page 1, by inserting after line 25 the
7 following:

8 "Sec. 100. Section 411.38, unnumbered paragraph 2,
9 Code 1991, is amended to read as follows:

10 It is the intent of the general assembly that a
11 terminated city fire or police retirement system shall
12 not subsidize any portion of any other system's
13 unfunded liabilities in connection with the transition
14 to the statewide system. If the assets of a
15 terminated city fire or police retirement system
16 exceed the amount sufficient to cover the accrued
17 liabilities of that terminated system as of January 1,
18 1992, as determined by the actuary of the statewide
19 system, all excess funds and the interest and earnings
20 from those excess funds shall be used only to reduce
21 the city's contribution rate to the statewide system.
22 The participating city shall determine what portion of
23 the excess funds shall be applied to reduce the city's
24 contribution rate for a given year."

25 3. By renumbering, relettering, or redesignating
26 and correcting internal references as necessary.

By BLANSHAN of Greene

H-5176 FILED MARCH 2, 1992

adopted 3/10 (p. 511)

HOUSE FILE 2061
FISCAL NOTE

A fiscal note for House File 2061 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2061, as amended by the Senate, relates to cities whose retirement systems have insufficient assets to cover their accrued liabilities when the local systems are combined into the Statewide Municipal Fire and Police Retirement System. The current law requires cities to transfer assets sufficient to cover their actuarially-determined accrued liabilities. Those cities with underfunded retirement systems would be required to pay the difference between the assets in their retirement systems and the accrued liabilities.

This bill amends Section 411.38(2), Code of Iowa, to permit the Statewide Municipal Fire and Police Retirement System to amortize payment of intended accrued liabilities for terminated city retirement systems for a period of up to 30 years. The cities would be required to pay an interest rate on the amortized amount that is at least equal to the investment rate of return for the statewide system. The statewide system can require other terms and conditions.

The amended bill restricts the use of excess funds to reduction of the cities' and employees' contribution rates.

The amended bill permits the employees of the Board of the Statewide Municipal Fire and Police Retirement System to participate in the State health and life insurance benefits programs retroactively. The contribution for the Board employee's retirement is paid from the Statewide Municipal Fire and Police Retirement Fund.

The amended bill permits cities with unfunded liabilities to use general obligation bonds to pay for their unfunded liabilities when transferring assets to the unified system.

Assumptions:

1. The interest paid by cities on the amortized uncovered accrued liability will be approximately equal to what would have been earned on that amount if it had been invested with the rest of the statewide retirement system's assets.
2. The amounts owed to the statewide System will not be sufficiently large to create cashflow problems for the System.
3. A final determination of which cities have accrued liabilities in excess of the assets transferred to the statewide system will not be available until February 1992.

Fiscal Impact:

F 2 , FISCAL NOTE, HOUSE FILE 2061

-2-

This bill does not affect the costs to the General Fund. Current standing unlimited appropriations are not changed. The State will continue to make those payments to the statewide system.

The Statewide Municipal Fire and Police Retirement System should not be affected by manner in which cities choose to pay their unfunded liabilities. If they choose to amortize their liability, the interest income should be comparable to what would have occurred had all cities transferred assets sufficient to fully cover their accrued liabilities. If they choose other methods to obtain the funding, the System will not be affected.

Cities with insufficient assets will be allowed to make payments over time, thus reducing the impact. Cities with sufficient assets will transfer an amount equal to their accrued liabilities and will not subsidize other cities which is consistent with the stated legislative intent (Section 411.38(3), Code of Iowa). Excess assets can be used in future years to reduce contribution rates.

It is not known what funding method cities with unfunded liabilities will choose to obtain the assets necessary to transfer to the unified System. It is therefore not possible to determine the costs or savings the various options in this bill will provide. A preliminary estimate made in June 1991, identified 6 cities with unfunded liabilities totaling \$8.5 million. None of the changes made by this bill affect those cities' obligation to pay their unfunded liabilities.

There are 4 employees of the Board of the Statewide Municipal Fire and Police Retirement System. It is anticipated that participating in the State programs will save the System \$5,000 to \$10,000 annually. The retroactive health and life insurance costs to the System are estimated at \$2,721 for FY 1990, \$18,608 for FY 1991, and \$20,074 for FY 1992.

Source: Statewide Municipal Fire and Police Retirement System
League of Iowa Municipalities
Department of Personnel

(LSB 5336hv.2, MDF)

FILED MARCH 2, 1992

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE AMENDMENT TO SENATE AMENDMENT TO
HOUSE FILE 2061

S-5175

1 Amend the Senate amendment, H-5139, to House File
2 2061, as passed by the House, as follows:

3 1. Page 1, by striking lines 2 through 22.

4 2. Page 1, by inserting after line 29 the
5 following:

6 "____. Page 1, by inserting after line 25 the
7 following:

8 "Sec. 100. Section 411.38, unnumbered paragraph 2,
9 Code 1991, is amended to read as follows:

10 It is the intent of the general assembly that a
11 terminated city fire or police retirement system shall
12 not subsidize any portion of any other system's
13 unfunded liabilities in connection with the transition
14 to the statewide system. If the assets of a
15 terminated city fire or police retirement system
16 exceed the amount sufficient to cover the accrued
17 liabilities of that terminated system as of January 1,
18 1992, as determined by the actuary of the statewide
19 system, all excess funds and the interest and earnings
20 from those excess funds shall be used only to reduce
21 the city's contribution rate to the statewide system.
22 The participating city shall determine what portion of
23 the excess funds shall be applied to reduce the city's
24 contribution rate for a given year."

25 3. By renumbering, relettering, or redesignating
26 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-5175 FILED MARCH 10, 1992

Senate referred to committee 3/10/92 (p. 777)

House inserts 3/25 (p. 825)

HOUSE FILE 2061

S-5015

1 Amend the amendment, S-5009, to House File 2061, as
2 passed by the House, as follows:

3 1. Page 1, by striking lines 16 through 20 and
4 inserting the following: "from those excess funds
5 shall be used only as approved by the city council of
6 the participating city. However, the city council
7 shall only approve use of the excess funds for any or
8 all of the following: Reduction of the city's
9 contribution to the statewide system, reduction of the
10 members' contributions to the statewide system,
11 benefit improvement for members who were employed by
12 the participating city prior to January 1, 1992."

By ALLEN BORLAUG

S-5015 FILED JANUARY 30, 1992

WITHDRAWN (p 175)

HOUSE FILE 2061

S-5019

1 Amend the amendment, S-5009, to House File 2061, as
2 passed by the House, as follows:

3 1. Page 1, by striking lines 16 through 20 and
4 inserting the following: "from those excess funds
5 shall be used only as approved by the city council of
6 the participating city. However, the city council
7 shall only approve use of the excess funds for any or
8 all of the following: Reduction of the city's
9 contribution to the statewide system and reduction of
10 the members' contributions to the statewide system."

By ALLEN BORLAUG

S-5019 FILED JANUARY 30, 1992

ADOPTED (p 178)

HOUSE FILE 2061

S-5049

1 Amend House File 2061, as passed by the House, as
2 follows:

3 1. Page 1, by inserting after line 25 the
4 following:

5 "In the alternative, a city may treat the city's
6 accrued unfunded liability for the terminated system
7 as legal indebtedness to the statewide system for the
8 purposes of section 384.24, subsection 3, paragraph
9 "f"."

10 2. By renumbering and correcting internal
11 references as necessary.

By DONALD V. DOYLE
JOHN P. KIBBIE

S-5049 FILED FEBRUARY 11, 1992

Adopted 2/11/92 (p 423)

REPORT OF THE CONFERENCE COMMITTEE
ON HOUSE FILE 2061

To the Speaker of the House of Representatives and the President of the Senate:

We, the undersigned members of the conference committee appointed to resolve the differences between the House of Representatives and the Senate on House File 2061, a bill for an Act relating to the transfer of assets of terminated city fire or police retirement systems with unfunded accrued liabilities to the statewide system, and providing effective and retroactive applicability dates, respectfully make the following report:

1. That the House recedes from its amendment, S-5175.
2. That the Senate recedes from its amendment, H-5139.
3. That House File 2061, as passed by the House, is amended as follows:
 1. Page 1, by inserting after line 25, the following:
"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"."
 2. Page 1, by inserting before line 26, the following:

CCH-2061

Page 2

"Sec. 100. Section 411.38, unnumbered paragraph 2, Code 1991, is amended to read as follows:

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.

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 sections 411.8 and 411.20 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 sections 411.8 and 411.20 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 sections 411.8 and 411.20.

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

CCH-2061

Page 3

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.

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."

3. Page 1, by inserting before line 26 the following:

"Sec. 101. NEW SECTION. 411.39 BENEFITS FOR EMPLOYEES OF THE BOARD OF TRUSTEES FOR THE STATEWIDE SYSTEM.

1. As used in this section, unless the context otherwise requires:

a. "Benefit programs" mean the state life insurance program, the state health or medical insurance program, and the state employees disability program administered by the department of personnel.

b. "Employees" mean the secretary and other employees of the board of trustees for the statewide fire and police retirement system.

2. Employees are eligible to participate in the benefit programs for state employees. Participation in the benefit programs is optional, and an employee may participate by

CCH-2061

Page 4

filing an election, in writing, with the board of trustees for the statewide system. The board of trustees shall file these elections with the department of personnel.

3. The board of trustees shall determine what, if any, amount of the costs or premiums of the benefit programs shall be paid by the participating employees, and shall deduct the amount from the wages of the participating employees. The board of trustees shall pay the remaining costs or premiums of the benefit programs from the fire and police retirement fund, including any portion to be attributed to an employer, and shall forward all amounts paid by participating employees and the board to the department of personnel.

4. Participating employees shall be exempted from preexisting medical condition waiting periods. Participating employees may change programs or coverage under the state health or medical service group insurance plan subject to the enrollment rules established for full-time state employees excluded from collective bargaining as provided in chapter 20. A participating employee or the participating employee's surviving spouse shall have the same rights upon final termination of employment or death as are afforded full-time state employees and the employees' surviving spouses excluded from collective bargaining as provided in chapter 20."

4. Page 1, by striking lines 26 through 28 and inserting the following:

"Sec. 102. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon enactment, and sections 1 and 100 apply retroactively to May 3, 1990."

5. Title page, line 3, by inserting after the word "system," the following: "providing for the use of excess funds of terminated city systems,".

6. Title page, line 3, by inserting after the word "system," the following: "providing for certain benefits for employees of the statewide system,".

CCH-2061

Page 5

7. By renumbering, relettering, or redesignating and correcting internal references as necessary.

ON THE PART OF THE HOUSE:

ON THE PART OF THE SENATE:

EUGENE BLANSHAN, Chairperson
DOROTHY CARPENTER
DARRELL HANSON
DONALD KNAPP

JOHN KIBBIE, Chairperson
LARRY MURPHY
PAUL PATE

CCH-2061 FILED APRIL 20, 1992

House adopted 4/21 (of 1660)

Senate adopted 4/21 (of 1525)

Amend/see Page

HSB 501

STATE GOVERNMENT

Now

HOUSE FILE 2061

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL
BY CHAIRPERSON BLANSHAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the transfer of assets of terminated city fire
2 or police retirement systems to the statewide system,
3 providing for the use of excess funds of terminated city
4 systems, and providing effective and retroactive applicability
5 dates.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 411.38, Code 1991, is amended to read
2 as follows:

3 411.38 OBLIGATIONS OF PARTICIPATING CITIES.

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

7 1 a. Pay to the statewide system the normal contribution
8 rate provided pursuant to section 411.8.

9 2 b. Transfer from each terminated city fire or police
10 retirement system to the statewide system amounts sufficient
11 to cover the accrued liabilities of that terminated system as
12 determined by the actuary of the statewide system. If the
13 actuary of the statewide system determines that the assets
14 transferred by a terminated system are insufficient to fully
15 fund the accrued liabilities of the terminated system as
16 determined by the actuary as of January 1, 1992, the
17 participating city may enter into an agreement with the
18 statewide system to make additional annual contributions
19 sufficient to amortize the unfunded accrued liability of the
20 terminated system. The terms of an amortization agreement
21 shall be based upon the recommendation of the actuary of the
22 statewide system, and the agreement shall do each of the
23 following:

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

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

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

32 3 c. Contribute additional amounts necessary to ensure
33 sufficient financial support for the statewide fire and police
34 retirement system, as determined by the board of trustees
35 based on information provided by the actuary of the statewide

1 system.

2 2. It is the intent of the general assembly that a
3 terminated city fire or police retirement system shall not
4 subsidize any portion of any other system's unfunded
5 liabilities in connection with the transition to the statewide
6 system. If the assets of a terminated city fire or police
7 retirement system exceed the amount sufficient to cover the
8 accrued liabilities of that terminated system as of January 1,
9 1992, as determined by the actuary of the statewide system,
10 all excess funds and the interest and earnings from those
11 excess funds shall be used only to reduce the city's
12 contribution rate to the statewide system. The participating
13 city shall determine what portion of the excess funds shall be
14 applied to reduce the city's contribution rate for a given
15 year.

16 Sec. 2. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
17 This Act, being deemed of immediate importance, takes effect
18 upon enactment, and applies retroactively to May 3, 1990.

19 EXPLANATION

20 This bill pertains to two aspects of the transfer of assets
21 from terminated city fire or police retirement systems to the
22 statewide system established under chapter 411. The statewide
23 system was established January 1, 1992. However, some of the
24 terminated city systems transferred assets which were
25 insufficient to fund the accrued liabilities of those systems,
26 whereas other terminated city systems transferred assets in
27 excess of their accrued liabilities as determined by the
28 actuary of the statewide system. The bill permits those
29 cities which are underfunded to amortize the unfunded accrued
30 liabilities by entering into an agreement with the statewide
31 system. The bill permits amortization for a period not to
32 exceed 30 years, and requires the amortization agreement to
33 state that the rate of return on the amortized funds shall be
34 at least as high as the estimated rate of return on
35 investments for the statewide system. The bill provides that

1 for those terminated systems with excess funds, the excess
2 funds and their returns shall be used to reduce the city's
3 contribution rate to the statewide system.

4 The bill is immediately effective upon enactment and
5 retroactively applicable to May 3, 1990, the date of enactment
6 of the legislation establishing the statewide system. The
7 bill may include a state mandate as defined in section 25B.3.

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HOUSE FILE 2061

AN ACT

RELATING TO THE TRANSFER OF ASSETS OF TERMINATED CITY FIRE OR POLICE RETIREMENT SYSTEMS WITH UNFUNDED ACCRUED LIABILITIES TO THE STATEWIDE SYSTEM, PROVIDING FOR THE USE OF EXCESS FUNDS OF TERMINATED CITY SYSTEMS, PROVIDING FOR CERTAIN BENEFITS FOR EMPLOYEES OF THE STATEWIDE SYSTEM, AND PROVIDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 411.38, subsection 2, Code 1991, is amended to read as follows:

2. 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. 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 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.

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".

Sec. 2. Section 411.38, unnumbered paragraph 2, Code 1991, is amended to read as follows:

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.

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 sections 411.8 and 411.20 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 sections 411.8 and 411.20 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 sections 411.8 and 411.20.

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.

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.

Sec. 3. NEW SECTION. 411.39 BENEFITS FOR EMPLOYEES OF THE BOARD OF TRUSTEES FOR THE STATEWIDE SYSTEM.

1. As used in this section, unless the context otherwise requires:

a. "Benefit programs" mean the state life insurance program, the state health or medical insurance program, and the state employees disability program administered by the department of personnel.

b. "Employees" mean the secretary and other employees of the board of trustees for the statewide fire and police retirement system.

2. Employees are eligible to participate in the benefit programs for state employees. Participation in the benefit programs is optional, and an employee may participate by filing an election, in writing, with the board of trustees for the statewide system. The board of trustees shall file these elections with the department of personnel.

3. The board of trustees shall determine what, if any, amount of the costs or premiums of the benefit programs shall be paid by the participating employees, and shall deduct the amount from the wages of the participating employees. The board of trustees shall pay the remaining costs or premiums of the benefit programs from the fire and police retirement fund, including any portion to be attributed to an employer, and shall forward all amounts paid by participating employees and the board to the department of personnel.

4. Participating employees shall be exempted from preexisting medical condition waiting periods. Participating employees may change programs or coverage under the state health or medical service group insurance plan subject to the enrollment rules established for full-time state employees excluded from collective bargaining as provided in chapter 20. A participating employee or the participating employee's surviving spouse shall have the same rights upon final termination of employment or death as are afforded full-time state employees and the employees' surviving spouses excluded from collective bargaining as provided in chapter 20.

Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
This Act, being deemed of immediate importance, takes effect upon enactment, and sections 1 and 2 apply retroactively to May 3, 1990.

ROBERT C. ARNOULD
Speaker of the House

MICHAEL E. GRONSTAL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2061, Seventy-fourth General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 4, 1992

TERRY E. BRANSTAD
Governor