

**CLEBURNE FIREFIGHTER'S
RELIEF AND RETIREMENT FUND**

Plan Effective September 1, 2020

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CLEBURNE FIREFIGHTER'S RELIEF AND RETIREMENT FUND

Plan Effective September 1, 2020

INTRODUCTION

This retirement plan (the "Plan") for the Cleburne Firefighter's Relief and Retirement Fund (the "Fund"), a retirement system established pursuant to Article 6243e, Vernon's Texas Civil Statutes, the Texas Local Fire Fighters' Retirement Act ("TLFFRA"), is effective September 1, 2020. This Plan replaces and supersedes in its entirety the retirement plan of the Fund effective October 1, 2018.

The participating members of the Fund held two elections by secret ballot as required under Section 7 of TLFFRA, on April 25-27, 2020 with forty-five (45) of the sixty (60) participating members (75% of the total) voting in the first election and on August 14, 2020 with forty-four (44) of the fifty-nine (59) participating members (75% of the total) voting in the second election. TLFFRA requires at least 50% of the participating members must vote in each election. The number of members voting on each addition or change that received a majority vote of those voting on the addition or change is shown below:

Addition or Change	Description of Addition or Change	Number Voting On Addition or Change		
		Votes in Favor	Votes Against	Total Votes
Amendment 1 (April 25-27 election)	Removal of ability to DROP into a previous plan document for calculation of benefit	41	4	45
Amendment 1 (August 14)	Exclude overtime from final average salary (FAS) in benefit calculation	39	5	44
Amendment 2 (August 14)	Exclude firefighter's contribution from DROP lump sum	37	7	44
Amendment 4 (August 14)	Change the benefit formula to 3.1% of FAS for years 1-20, 2% of FAS for years thereafter, capped at 92% of FAS	24	20	44
Amendment 5 (August 14)	Increase firefighter contribution rate from 14% to 14.5%	39	4	43
Amendment 6 (August 14)	Add a new tier of benefit provisions for those hired 9/1/2020 and after	28	14	42

The Board of Trustees met on May 22, 2020 and approved the change elected by the members in April 2020 described above. The Board of Trustees met on August 28, 2020 and approved the changes elected by the members on August 14, 2020 described above. As required under TLFFRA, the Plan's actuary, who is either a Member of the American Academy of Actuaries or a Fellow of the Society of Actuaries, has reviewed and

approved this Plan. These changes are effective September 1, 2020, except as otherwise indicated.

The following provisions, along with TLFFRA, are applicable to all members of the Fund on the effective date of the Plan and to those who enter the department thereafter, except as otherwise indicated. When appropriate, the masculine gender shall include the feminine and vice versa.

A. *BASIS FOR DETERMINING RETIREMENT BENEFIT*

The amount of income payable upon retirement will depend upon the firefighter's age when he retires and upon his number of years of "Service" and the "Final 60-Month Individual Average Salary", as described below.

1. **"Service"** will be equal to the firefighter's number of years and months of continuous employment (and those periods during which the firefighter received a disability retirement benefit from this Fund). For the period prior to September 14, 1978, the number of years and months of service will be determined from the records of the fire department of the City of Cleburne, Texas. The number of years and months of service after September 14, 1978 will include the period of uninterrupted service after that date with the fire department of the City of Cleburne, Texas or with any predecessor department provided that funds are transferred in accordance with provisions of the TLFFRA. If a firefighter's service is terminated after September 14, 1978, he will be treated in the same manner as a new employee if he is later reemployed.

Absence from the active service of the department by reason of leave of absence will not terminate a firefighter's service provided he returns to active employment prior to the expiration of his leave except that if he withdraws his contributions from the Fund, he will be treated in the same manner as though his service had been terminated even though he returns to active employment prior to the expiration of his leave. Periods of leave of absence, determined by the policy of the City of Cleburne, shall be deemed continuous employment. Periods during the firefighter's continuous employment in which the firefighter did not receive pay from the city and for which the firefighter and the city did not make contributions to the Fund will not be credited as service in accordance with Section 10(a) of TLFFRA, except as may be otherwise required under TLFFRA or other applicable law.

2. **"Final 84-Month Individual Average Salary"** is equal to the average of the firefighter's monthly pay for the 84 calendar months immediately preceding the firefighter's date of retirement, or the date of death if the death occurred while an employee of the fire department, or the date of disability if the disability occurred while an employee of the fire department. Monthly pay includes all elements of pay except for lump sum distributions for unused sick

leave or vacation. Beginning January 1, 2020, the pay used will be the lesser of actual pay and the maximum they could earn from base pay, longevity pay, scheduled overtime pay, education pay, and certification pay. If at the time a firefighter becomes disabled, as provided in Section C, or if at the time of the firefighter's death while an employee of the fire department, the firefighter has been paid for less than 84 calendar months, his Final 84-Month Individual Average Salary shall be determined based on his total actual period of paid employment with the fire department.

If a firefighter retires under the Reverse Deferred Retirement Option Plan (Reverse DROP) described in Sections B(7), B(8), and B(9), or if a surviving spouse qualifies for and elects a Reverse DROP as described in Sections E(2), E(3) and E(4), the firefighter's Final 84-Month Individual Average Salary shall be determined as the sum of (a), (b), and (c) divided by 84, where:

- a. total pay during the calendar year of the Reverse DROP benefit calculation date multiplied by the number of months in that year prior to the Reverse DROP benefit calculation date divided by 12,
- b. the sum of the total during the six calendar years immediately preceding the year containing the Reverse DROP benefit calculation date, and
- c. total pay during the calendar year immediately preceding the six calendar years of (b) multiplied by the number of months from the Reverse DROP benefit calculation date to December 31 of that year divided by 12.

If a firefighter's pay has been offset (reduced) by Workers' Compensation benefits, then pay in this calculation shall also include the amount by which pay was offset (reduced) as required by the Texas Labor Code. The annual compensation of each member taken into account under the Plan for any year shall not exceed \$200,000 or the adjusted limit for such year published by the Secretary of the Treasury pursuant to Section 401(a)(17) of the Internal Revenue Code.

3. ***"Actuarial Equivalent"*** shall be based on the male 1983 Group Annuity Mortality Table and 6.0% interest.
4. ***"Accumulated Contributions"*** shall mean the sum of all amounts deducted from the total pay of a firefighter and credited as a contribution to the Fund. A firefighter's accumulated contributions shall not include or earn interest from the Fund.

B. *SERVICE RETIREMENT BENEFIT*

1. ***Eligibility for Normal Service Retirement Benefit*** – A firefighter will be eligible for a normal service retirement benefit after he meets both of the following requirements:
 - a. attainment of age 50 and
 - b. completion of 20 years of service.
2. ***Amount of Normal Service Retirement Benefit***
 - a. For firefighters who were employed by the Cleburne Fire Department prior to September 1, 2020, a firefighter who qualifies for a normal service retirement benefit while this Plan is in effect will receive a monthly retirement benefit for as long as the firefighter remains alive equal to the sum of:
 - i. a standard benefit equal to 3.1% of the “Final 84-Month Individual Average Salary” for each of the first 20 years of service, plus
 - ii. an additional benefit equal to 2.0% of the “Final 84-Month Individual Average Salary” for each whole year of service in excess of 20 years of service. A partial year of service will be given partial credit based on number of months completed in excess of whole years.
 - b. For firefighters who were employed by the Cleburne Fire Department on or after September 1, 2020, a firefighter who qualifies for a normal service retirement benefit while this Plan is in effect will receive a monthly retirement benefit for as long as the firefighter remains alive equal to the sum of:
 - i. a standard benefit equal to 2.9% of the “Final 84-Month Individual Average Salary” for each of the first 20 years of service, plus
 - ii. an additional benefit equal to 1.9% of the “Final 84-Month Individual Average Salary” for each whole year of service in excess of 20 years of service. A partial year of service will be given partial credit based on number of months completed in excess of whole years.

Notwithstanding the formulas above in both (a) and (b), the normal service retirement benefit may not be more than 92% of the “Final 84-Month Individual Average Salary” for any firefighter who qualifies for a normal service retirement benefit while this Plan is in effect.

Payment of the monthly normal service retirement benefit will begin on the last day of the calendar month following the month in which the firefighter terminates employment with the city. In addition, for the month in which a firefighter terminates employment, a partial monthly retirement benefit will also be paid at the same time as the first full monthly benefit. This partial benefit is equal to the monthly benefit described above multiplied by the number of days from the date of employment termination to the end of the month divided by the total number of days in the month.

3. ***Minimum Normal Service Retirement Benefit*** – If a firefighter terminates employment after August 31, 2020 and does not elect the Reverse DROP, then the amount of the monthly normal service retirement benefit will be the greater of the amount determined in Section B(2) above and the amount determined as of August 31, 2020 based on the pay history, service, and plan provisions as of that date. This minimum accrued monthly benefit meets the vested accrued benefit requirement of Section 7(e) of TLFFRA.
4. ***Eligibility for Early Service Retirement Benefit*** – A firefighter will be eligible for an immediate, early service retirement benefit upon termination of employment with 20 or more years of service while this Plan is in effect. A vested terminated member with more than 20 years of service is also eligible to elect early service retirement at any time after the date of employment termination.
5. ***Amount of Early Service Retirement Benefit*** – A firefighter who qualifies for an early service retirement benefit will receive an immediate monthly retirement benefit for as long as the firefighter remains alive.

The early service retirement benefit will be a reduced monthly benefit equal to a percentage of the normal service retirement benefit described in Section B(2) above that would otherwise be payable at the firefighter's normal retirement age based on pay history, service and plan provisions at date of employment termination. The applicable percentage will be based on the firefighter's early retirement age in complete years and months at the date the benefit commences. The applicable percentage is determined by interpolation based on the number of complete months between the applicable percentages for complete years shown in the table below:

Early Retirement Age	Percentage of Normal Service Retirement Benefit
38	35.14%
39	38.23
40	41.62
41	45.32
42	49.37
43	53.82
44	58.69
45	64.03
46	69.91
47	76.37
48	83.47
49	91.32
50	100.00

Payment of the monthly early service retirement benefit will begin on the last day of the calendar month following the month in which the firefighter terminates employment with the city (or elects commencement of the early service retirement benefit). In addition, for the month in which a firefighter terminates employment, a partial monthly early service retirement benefit will also be paid at the same time as the first full monthly benefit. This partial benefit is equal to the monthly benefit described above multiplied by the number of days from the date of employment termination to the end of the month divided by the total number of days in the month.

6. ***Minimum Early Service Retirement Benefit*** – If a firefighter terminates employment after August 31, 2020 and elects to receive an early service retirement benefit, the amount of the monthly benefit will be the greater of the amount determined in Section B(5) above and the amount determined as of August 31, 2020 based on the pay history, service, and plan provisions as of that date if he had at least 20 years of service as of that date. This minimum accrued monthly benefit meets the vested accrued benefit requirement of Section 7(e) of TLFFRA.
7. ***Eligibility for Participation in Reverse Deferred Retirement Option Plan (Reverse DROP)***
 - a. A firefighter who was employed by the Cleburne Fire Department prior to September 1, 2020 can elect at termination of employment a Reverse DROP benefit calculation date no earlier than a date which is:

- i. 60 months prior to the first day of the month preceding or coincident with the date of employment termination, and
 - ii. The first day of the month following the date the firefighter attains age 50 and the completion of 20 years of service.
 - b. A firefighter who was employed by the Cleburne Fire Department on or after September 1, 2020 can elect at termination of employment a Reverse DROP benefit calculation date no earlier than a date which is:
 - i. 36 months prior to the first day of the month preceding or coincident with the date of employment termination, and
 - ii. the first day of the month following the date the firefighter attains age 52 and the completion of 22 years of service.
8. ***Amount of Reverse DROP Benefit*** – A firefighter who qualifies for and elects the Reverse DROP will receive the following amounts described as (a) and (b):

- a. a monthly retirement benefit equal to the amount determined in Section B(2) as of the Reverse DROP benefit calculation date and based on the plan provisions in effect on the date of employment termination. The monthly benefit will include any ad hoc retiree benefit increases provided following the Reverse DROP benefit calculation date.

The first monthly benefit for the month of employment termination will be deferred to the end of the month following the month of employment termination. Therefore, two monthly payments will be paid at the end of the month following the month of employment termination.

- b. a lump sum amount equal to the total of the monthly retirement benefits described in Section B(8)(a) which would have been received between the Reverse DROP benefit calculation date and the first day of the month in which the firefighter terminates employment with the city. These benefits will include any ad hoc retiree benefit increases provided following the Reverse DROP benefit calculation date.
- c. To the extent permissible under federal tax laws, payment of the amount determined in Section B(8)(b) can be made in one of the following two forms:
 - i. a lump sum distribution of the total amount payable at the end of the first full month after a Benefit Distribution Form has been received or accepted by the Fund's administrator, or

- ii. a maximum of three payments as needed by the Reverse DROP participant within 26 months of the participant's date of termination of employment.

9. ***General Rules for Reverse DROP Participation***

- a. A firefighter's election to participate in Reverse DROP is irrevocable.
- b. The Reverse DROP benefit calculation date will always be on a first day of a month.
- c. A firefighter's election to participate must be in writing on an election form prepared by the Board of Trustees.
- d. A Reverse DROP participant can elect to receive his or her form of benefit distribution by filing a completed Benefit Distribution Form with the Fund's administrator. A Reverse DROP participant can amend the Benefit Distribution Form at any time.
- e. Any filing of a Benefit Distribution Form, whether an original filing or an amendment to an earlier filing, will not take effect until the end of the first full month following acceptance of the form by the Fund's administrator. Therefore, no benefit distribution can be made until the end of the first full month following acceptance of the Benefit Distribution Form by the Fund's administrator.
- f. If a firefighter who elects the Reverse DROP dies after termination of employment but before the Reverse DROP lump sum amount described in Section B(8)(b) above has been completely paid to the firefighter, then the firefighter's surviving spouse, or estate if there is no surviving spouse, will receive the remaining portion of the Reverse DROP lump sum payment. The surviving spouse must have been married to the firefighter at the time of the firefighter's termination of employment to be eligible to receive this payment.

An additional death benefit equal to two-thirds of the monthly retirement benefit described in Section B(8)(a) will be paid to the firefighter's surviving spouse with payments beginning on the last day of the calendar month following the month in which the firefighter dies. The surviving spouse is eligible for this benefit if married to the firefighter at the time of the firefighter's termination of employment. If there is no surviving spouse, then the firefighter's eligible child or children will receive the benefit described in Section E(5) or E(6). If there is no eligible spouse and no eligible child, then the amount the spouse would have received will be payable to the firefighter's dependent parent.

If there is no eligible spouse, eligible child or dependent parent, an amount will be paid to his estate equal to the excess, if any, of the firefighter's accumulated contributions (without interest) to the Fund as of the Reverse DROP benefit calculation date over (i) the amount of the payment described in Section B(8)(b) and (ii) the amount of any monthly payments which have been made to the eligible spouse, eligible child or dependent parent.

- g. A firefighter electing to participate in Reverse DROP will not be eligible to receive the service retirement benefit described in Sections B(1) and B(2) or the disability retirement benefit described in Section C.

C. ***DISABILITY RETIREMENT BENEFIT***

1. ***Eligibility for Disability Retirement Benefit*** – An active firefighter not eligible for normal service retirement will qualify for a disability benefit if he becomes disabled from any cause whatsoever for either physical or mental reasons. The firefighter need only be disabled to the extent of being unable to perform the duties of a position offered to him in the fire department providing the firefighter with pay that is greater than or equal to the pay the disabled firefighter would have been receiving had his disability not occurred and he continued in his former position with the fire department to be entitled to benefits for the first 2 and 1/2 years. Thereafter, he must be unable to perform the duties of any occupation for which he is reasonably suited by education, training and experience.
2. ***Amount of Disability Retirement Benefit*** – The disability benefit will commence after the firefighter's regular salary, including vacation and sick leave pay, has ceased as the result of his disability (disability benefit commencement date) and will continue thereafter as long as the firefighter remains alive and is eligible under (C)(1) above.
 - a. For firefighters who were employed by the Cleburne Fire Department prior to September 1, 2020, the monthly disability benefit will equal the sum of:
 - i. a standard benefit equal to 62.0% of the "Final 84-Month Individual Average Salary", plus
 - ii. an additional benefit equal to 2.0% of the "Final 84-Month Individual Average Salary" for each whole year of service in excess of 20 years of service. A partial year of service will be given partial credit based on number of months completed in excess of whole years.

- b. For firefighters who were employed by the Cleburne Fire Department on or after September 1, 2020, the monthly disability benefit will equal the sum of:
 - i. a standard benefit equal to 58.0% of the “Final 84-Month Individual Average Salary”, plus
 - ii. an additional benefit equal to 1.9% of the “Final 84-Month Individual Average Salary” for each whole year of service in excess of 20 years of service. A partial year of service will be given partial credit based on number of months completed in excess of whole years.

Payment of the monthly disability retirement benefit will begin on the last day of the calendar month following the month of the disability benefit commencement date. In addition, for the month of the disability benefit commencement date, a partial monthly disability retirement benefit will also be paid at the same time as the first full monthly benefit. This partial benefit is equal to the monthly benefit described above multiplied by the number of days from the disability benefit commencement date to the end of the month divided by the total number of days in the month.

- 3. ***Termination, Reduction or Reinstatement of Disability Benefit*** – The Board of Trustees shall have the power to continue, to terminate, to reduce or to reinstate a firefighter’s disability benefits subject to the following constraints:
 - a. During the first 2 and 1/2 years the Board of Trustees may terminate the firefighter’s disability benefit if the firefighter recovers to the extent that he is able to perform the duties of a position offered to him in the fire department providing the firefighter with pay that is greater than or equal to the pay the disabled firefighter would have been receiving had his disability not occurred and he continued in his former position with the fire department.
 - b. After the disabled firefighter has received disability benefits from the fund for at least 2 and 1/2 years, the Board of Trustees may terminate the firefighter’s disability benefit if the firefighter has recovered to the extent that he is able to perform the duties of a job outside the fire department and he is able to earn at least as much money in his new job as he would have had he continued in his former position with the fire department.
 - c. After the disabled firefighter has received disability benefits from the fund for at least 2 and 1/2 years, the Board of Trustees may review the situation of the disabled firefighter to determine the status of his disability. If the firefighter has recovered to the extent that he is able to

perform the duties of a job outside the fire department, but he is not able to earn as much money in his new job as he would have had he continued in his former position with the fire department, then the Board of Trustees may, at their discretion,

- i) continue to pay a full disability benefit to the disabled firefighter, or
 - ii) elect to pay the disabled firefighter a partial disability benefit equal to one-half (1/2) of the original disability benefit.
- d. The Board of Trustees shall have the power to reinstate any disability benefit which has been previously terminated or reduced provided the disabled firefighter's condition has worsened due to the same cause for which he was originally disabled.

4. ***Recovery from Disability***

- a. Prior to completion of 20 years of service, if a disabled firefighter recovers to the extent that his disability allowance is terminated and he does not return to the employ of the fire department, then an amount equal to the excess, if any, of the firefighter's own contributions (without interest) over the amount of payments which have been made on his behalf will be paid to him in a lump sum payment.
- b. After completion of 20 years of service a disabled firefighter may become eligible for the vested termination benefit described in (D) below if he recovers to the extent that his disability allowance would otherwise be terminated or reduced and does not return to the employ of the fire department.
- c. After both attainment of age 50 and completion of 20 years of service a full disability allowance will continue to be paid if the firefighter recovers to the extent that his disability allowance would otherwise be terminated or reduced.

5. ***Determination of Recovery from Disability and Continued Eligibility for Disability*** – In determining the extent to which a disabled firefighter has recovered from his disability, if any, and whether the disabled firefighter continues to be eligible for disability benefits hereunder, the Board of Trustees may require the firefighter to undergo periodic medical examination and vocational rehabilitation examinations, and to provide periodic financial information.

Any disabled firefighter receiving disability benefits must fully cooperate with the Board and must comply with examinations required by the Board of Trustees and must provide all financial and medical information as requested

by the Board of Trustees in order to establish continued eligibility for disability benefits. Failure to do so will result in termination or suspension of the firefighter's disability benefits.

D. *VESTED TERMINATION BENEFIT*

If a firefighter who terminates employment while this Plan is in effect has completed at least 20 years of service, but has not attained age 50, he will be entitled to a deferred retirement benefit commencing at the end of the month following the month in which he attains age 50 in an amount equal to 100% of the normal service retirement benefit in (B)(2) above, determined as if he had retired on the day he terminated employment. If the firefighter had at least 20 years of service as of August 31, 2020, the amount of the monthly benefit will be the greater of the amount determined in Section B(2) above and the amount determined as of August 31, 2020 based on the pay history, service, and plan provisions as of that date. This minimum accrued monthly benefit meets the vested accrued benefit requirement of Section 7(e) of TLFFRA.

To be entitled to receive this vested termination benefit, the firefighter is required to leave his accumulated contributions in the Fund but is not required to make additional contributions between his date of termination of employment and the date he begins receiving benefits. A vested terminated firefighter is eligible to elect the monthly early service retirement benefit described in Section B(5) at any time after the date of employment termination.

E. *DEATH BENEFITS*

1. The firefighter's surviving spouse will receive an immediate monthly benefit for as long as she is alive and does not remarry under the conditions and in the amounts described below:
 - a. if the firefighter was employed by the Cleburne Fire Department prior to September 1, 2020, and the firefighter's death occurred while this Plan is in effect while he was an employee of the fire department, a standard benefit equal to 41.33% of the "Final 84-Month Individual Average Salary", plus an additional death benefit equal to two-thirds of any additional service retirement benefit as described in Section B(2)(a)(ii) that the firefighter was entitled to receive had he retired on his date of death;
 - b. if the firefighter was employed by the Cleburne Fire Department on or after September 1, 2020, and the firefighter's death occurred while this Plan is in effect while he was an employee of the fire department, a standard benefit equal to 38.67% of the "Final 84-Month Individual Average Salary", plus an additional death benefit equal to two-thirds of

any additional service retirement benefit as described in Section B(2)(d) that the firefighter was entitled to receive had he retired on his date of death;

- c. if the firefighter's death occurred after normal service retirement, early service retirement or disability retirement, and retirement was effective while this Plan is in effect, a monthly death benefit equal to two-thirds of the monthly retirement benefit the firefighter was receiving at the date of death;
- d. if the firefighter's death occurred after termination of employment with 20 or more years of service and termination of employment was effective while this Plan is in effect, and the member did not elect a refund of contributions, a monthly death benefit equal to two-thirds of the vested termination benefit described in Section D above that the firefighter was receiving or would have received at the member's normal retirement age.

In order for a retired or terminated firefighter's spouse to qualify for the benefit above, the spouse must have been married to the firefighter at the time of the first to occur of his date of retirement or his date of termination of service and also at the date of death.

Payment of monthly death benefits will begin on the last day of the calendar month following the month of the firefighter's death. A full monthly retirement benefit will be payable at the end of the month following the death of a retired firefighter. If the firefighter's death occurs prior to retirement, a partial monthly benefit will be paid on the last day of the calendar month following the month of the firefighter's death. The partial benefit is equal to the monthly benefit described above multiplied by the number of days from the date of death to the end of the month divided by the total number of days in the month.

A surviving spouse receiving a death benefit subject to termination upon remarriage must certify by February 1 of each year, in a form and manner acceptable to the Board, that said spouse has not remarried since the death of the participant, and is not married as of the time of said declaration. The failure to provide such certification as set out herein shall be grounds for discontinuance of benefits.

If the surviving spouse of a Cleburne firefighter remarries, the pension ceases. If the surviving spouse's subsequent marriage ends either by divorce or death, the surviving spouse's pension shall be reinstated at the monthly amount that would have been payable had the pension not been terminated.

In the case of a firefighter who dies on or after January 1, 2007 before retirement and while performing qualified military service, the death benefit payable with respect to such firefighter shall be determined under Section E(1)(a) if employed by the Cleburne Fire Department prior to September 1, 2020 or under Section E(1)(b) if employed by the fire department on or after September 1, 2020, as if the firefighter had resumed employment with the City of Cleburne under the supervision and control of the fire department and then terminated employment on account of death. For purposes of this provision, qualified military service means any service in the uniformed services of the United States by any individual if such individual is entitled to reemployment rights with the City of Cleburne under the Uniformed Services Employment and Reemployment Rights Act of 1994 with respect to such service.

2. ***Eligibility for Surviving Spouse Participation in Reverse Deferred Retirement Option Plan (Reverse DROP)***

- a. For a firefighter employed by the Cleburne Fire Department prior to September 1, 2020, the firefighter's spouse can elect upon the death of the firefighter while the Plan is in effect and while an employee of the fire department a Reverse DROP benefit calculation date no earlier than (i) 60 months prior to the first day of the month preceding or coincident with the date of the firefighter's death and (ii) the first day of the month following the date when the firefighter had attained age 50 and completed 20 years of service.
- b. For a firefighter employed by the fire department on or after September 1, 2020, the firefighter's spouse can elect upon the death of the firefighter while the Plan is in effect and while an employee of the fire department a Reverse DROP benefit calculation date no earlier than (i) 36 months prior to the first day of the month preceding or coincident with the date of the firefighter's death and (ii) the first day of the month following the date when the firefighter had attained age 52 and completed 22 years of service.

3. ***Amount of Surviving Spouse Reverse DROP Benefit*** – A firefighter's spouse who qualifies for and elects a Reverse DROP will receive the following amounts described as (a) and (b):

- a. a monthly surviving spouse death benefit equal to the amount determined in Section E(1)(a) if the firefighter was employed by the Cleburne Fire Department prior to September 1, 2020 or in Section E(1)(b) if employed by the fire department on or after September 1, 2020, except that the firefighter's "Service" and "Final 84-Month Individual Average Salary" shall be determined as of the Reverse DROP benefit calculation date.

This benefit amount will include any ad hoc retiree benefit increases provided following the Reverse DROP benefit calculation date.

The first monthly benefit for the month of death will be deferred to the end of the month following the month of death. Therefore, two monthly payments will be paid at the end of the month following the month of death. The payments will continue for as long as the surviving spouse is alive and does not remarry under the conditions described in Sections E(1) and E(10).

- b. a lump sum amount determined on the last day of the calendar month in which the firefighter died equal to the total of the monthly retirement benefits described below in this subsection accumulated for the number of complete months between the Reverse DROP benefit calculation date and the first day of the month in which the firefighter died. The monthly retirement benefit used in the accumulation will be as described in Section B(2) determined as of the Reverse DROP benefit calculation date and based on the plan provisions in effect on the firefighter's date of death. These monthly benefits will include any ad hoc retiree benefit increases provided between the Reverse DROP benefit calculation date and the date of the firefighter's death.
- c. To the extent permissible under federal tax laws, payment of the amount determined in Section E(3)(b) can be made in one of the following two forms:
 - i. a lump sum distribution of the total amount payable at the end of the first full calendar month after the date a Benefit Distribution Form is received and accepted by the plan's administrator, or
 - ii. a maximum of three payments as needed by the Reverse DROP surviving spouse within 26 months of the firefighter's date of death.

4. ***General Rules for Surviving Spouse Reverse DROP Participation***

- a. A surviving spouse's election of the Reverse DROP is irrevocable.
- b. The Reverse DROP benefit calculation date will always be on a first day of a month.
- c. A surviving spouse's election to participate must be in writing or on an election form prepared by the Board of Trustees.

- d. Application for the election of the Reverse DROP option by the surviving spouse can be made no later than 30 days following the date of death of the firefighter.
- e. A Reverse DROP surviving spouse can elect to receive his or her form of benefit distribution by filing a completed Benefit Distribution Form with the Fund's administrator. A Reverse DROP surviving spouse can amend the Benefit Distribution Form at any time.
- f. Should a Reverse DROP surviving spouse fail to file a Benefit Distribution Form with the Fund's administrator by the time he or she attains age seventy-two (72), such Reverse DROP surviving spouse will be deemed to have elected to receive his or her Reverse DROP benefits in the form of annual payments over three years, and payments will begin at age seventy-two (72).
- g. Any filing of a Benefit Distribution Form, whether an original filing or an amendment to an earlier filing, will not take effect until the end of the first full calendar month following acceptance of the form by the Fund's administrator. Therefore, no benefit distribution can be made until the end of the first full calendar month following acceptance of the Benefit Distribution Form by the Fund's administrator.
- h. If a surviving spouse who elects the Reverse DROP dies after making the election but before the Reverse DROP lump sum amount described in Section E(3)(b) above has been completely paid to the surviving spouse, then the surviving spouse's estate will receive the remaining portion of the Reverse DROP lump sum payment.

If there are no eligible children, then the monthly benefit amount the surviving spouse was receiving will be payable to the firefighter's dependent parent. If there is no eligible child or dependent parent, an amount will be paid to the surviving spouse's estate equal to the excess, if any, if the firefighter's accumulated contributions (without interest) as of the Reverse DROP benefit calculation date over (i) the amount of the payments described in Section E(3)(b)(ii), and (ii) the amount of monthly payments which have been made to any surviving spouse and eligible child or dependent parent.

- i. A surviving spouse electing to participate in the Reverse DROP will not be eligible to receive the death benefit described in Section E(1).
- j. Children's death benefits described in Sections E(5) and E(6) are unaffected by the election of the Reverse DROP by a surviving spouse.

5. The child's benefit payable upon the death of a firefighter who was employed in the department on August 31, 2020 is as follows if the death occurred while this Plan is in effect:
 - a. if the spouse is also receiving a benefit, each unmarried child will receive a monthly benefit of 8.27% of the "Final 84-Month Individual Average Salary" until age 22;
 - b. if the spouse dies or remarries after being entitled to her benefit or if there is no spouse, each unmarried child will receive a monthly benefit of 16.53% of the "Final 84-Month Individual Average Salary" until age 22.
6. The child's benefit payable upon the death of a firefighter who was employed in the department on or after September 1, 2020 is as follows if the death occurred while this Plan is in effect:
 - a. if the spouse is also receiving a benefit, each unmarried child will receive a monthly benefit of 7.73% of the "Final 84-Month Individual Average Salary" until age 22;
 - b. if the spouse dies or remarries after being entitled to her benefit or if there is no spouse, each unmarried child will receive a monthly benefit of 15.47% of the "Final 84-Month Individual Average Salary" until age 22.

The benefits described in Sections E(5) and E(6) above are payable after age 22 for as long as the child remains totally disabled if the child becomes totally disabled as a result of a physical or mental illness, injury or retardation.

For purposes of the benefits described in Sections E(5) and E(6) above, a child shall be defined as the unmarried, dependent offspring, either natural-born or adopted, of a Cleburne firefighter. In order for a natural-born child to be eligible to receive a death benefit under this section, the child's date of birth must be no later than 10 months following the first to occur of the date the firefighter retires, dies or terminated his service with a vested benefit. In order for an adopted child to be eligible to receive a death benefit under this section, the child must have been adopted prior to the first to occur of the date the firefighter retires, dies or terminates his service with a vested benefit.

7. If no spouse or child is entitled to a benefit under Sections E(1)-E(6) above at the time of the firefighter's death, the amount the spouse would have received will be paid to the firefighter's dependent parents. A firefighter's parent is considered a dependent if the parent was claimed as a dependent on the firefighter's Internal Revenue Code tax filing.

8. The sum of all benefits being paid or payable at any point in time shall not exceed:
 - a. for a retired firefighter, the amount of service or disability retirement benefit the firefighter was receiving;
 - b. for a firefighter who was not retired but was eligible for a normal service retirement benefit at his time of death, the service retirement benefit the firefighter would have received had he retired on his date of death; and
 - c. for a firefighter who was not retired and was not eligible for a normal service retirement benefit at his time of death, the disability retirement benefit the firefighter would have received had he become disabled on his date of death.

If the sum of all benefits payable on behalf of the firefighter's spouse and children would otherwise exceed the limits set forth above, then the benefit attributable to the spouse and each child shall be reduced by the same percentage so that the sum of the reduced benefits equals the applicable limit. If the benefit for the spouse or one or more of the children should subsequently be terminated, then the benefits for the remaining beneficiaries shall be recalculated to provide the full benefits specified in this plan or a larger pro-rata share of those benefits if the sum of the benefits still exceeds the above-mentioned limit.

9. If no spouse, child or dependent parent is entitled to a benefit under Sections E(1)-E(7) above, an amount equal to the excess, if any, of the firefighter's accumulated contributions over the amount of payments which have been made to the firefighter, spouse, child or dependent parent will be paid to the firefighter's estate.
10. If the spouse of a Cleburne firefighter chooses to receive, upon remarriage, a refund of the excess of the firefighter's contributions to the Fund over the amount of benefits which have been paid on behalf of the firefighter and then later becomes eligible for a spouse's pension due to either divorce or death of the new spouse, the spouse's pension will be delayed until the total of the payments not received equals the amount of contributions the spouse was earlier refunded.

F. ***INCREASED BENEFITS TO RETIRED FIREFIGHTERS, SPOUSES AND CHILDREN***

Effective October 1, 2011, monthly benefits for eligible pensioners will increase by two dollars (\$2.00) for each year of service reflected in the benefit being received. Eligible pensioners are retired firefighters, surviving spouses of deceased firefighters and surviving children of deceased firefighters who (a) were receiving

monthly benefits as of October 1, 2011 where the firefighter terminated employment before October 1, 2010 or (b) elected a Reverse DROP benefit calculation date that is on or before October 1, 2010. The first increase in monthly benefits will begin to be paid on October 31, 2011.

G. *RETURN OF FIREFIGHTER'S ACCUMULATED CONTRIBUTIONS*

If a firefighter terminates his service and he is not entitled to a benefit as described above, he will receive an amount equal to the excess of his accumulated contributions to the Fund over the amount of benefits which he has previously received from the Fund. A firefighter who retires or whose service is terminated may elect to receive, at the time of his retirement or termination, the excess of his accumulated contributions to the Fund over the amount of benefits which he has previously received from the Fund; however, if he makes such an election, he will forfeit this right to all benefits which he otherwise would have been entitled to receive. The amount refunded shall not include any interest on the firefighter's contributions.

H. *CONTRIBUTIONS*

1. Effective with the first full pay period after October 1, 2020, each Cleburne firefighter will make contributions of 14.5% of total pay (including all elements of pay such as regular, overtime and longevity pay, but excluding lump sum distributions for unused sick leave or vacation). If a firefighter's total pay has been offset (reduced) by Workers' Compensation benefits, then total pay shall also include the amount by which the total pay was offset (reduced) as required by the Texas Labor Code. The firefighter contribution rate may be changed by vote of the firefighters in accordance with Section 29 of TLFFRA.
2. The City of Cleburne will make contributions equal to a percentage of each firefighter's total pay (including all elements of pay such as regular, overtime and longevity pay, but excluding lump sum distributions for unused sick leave or vacation). This percentage will be determined annually and, effective October 1, 2018, will be equal to the greater of (a) the city contribution rate to the Texas Municipal Retirement System for all other city employees plus at least six percent (6%) and (b) 22%. If a firefighter's total pay has been offset (reduced) by Workers' Compensation benefits, then total pay shall also include the amount by which the total pay was offset (reduced) as required by the Texas Labor Code. The city contribution rate is annually determined as a part of the city's budget, subject to the minimum contribution rate in Section 29 of TLFFRA.

I. *CODE SECTION 415 AND OTHER LIMITATIONS*

1. The Fund forming part of this Plan is for the exclusive benefit of the retired firefighters and their survivors. No part of the corpus or income of the Fund may ever be used for, or diverted to, any purpose other than the benefit of the firefighters or their survivors as provided herein. If the Fund is terminated, or partially terminated, or contributions to the Fund are discontinued completely, there shall be no reversion of Fund assets to the City, and the rights of the firefighters, to the extent funded and not already vested, shall become vested.
2. The provisions of Section 415 of the Code are hereby incorporated by reference to the extent applicable to this Fund. A firefighter may not accrue any benefit under the Fund in excess of the benefit limits applicable to the Fund under Section 415(b) of the Internal Revenue Code ("Code"). The Board shall reduce the amount of any benefit that exceeds those limits by the amount of the excess. If the total benefits under the Fund and the benefits to which any firefighter is entitled under any other qualified plans maintained by the City would otherwise exceed the applicable limits under Section 415 of the Code, the benefits the firefighter would otherwise receive from the Fund shall be reduced to the extent necessary to enable the benefits to comply with Section 415 of the Code. The plan year and the limitation year shall be the calendar year.
3. The total pay of any firefighter that may be taken into account for any purpose under the Fund may not exceed the limitations of Section 401(a)(17) of the Code as adjusted from time to time in accordance with guidelines provided by the Secretary of the Treasury.

J. *PAYMENTS TO FORMER SPOUSES AND OTHER ALTERNATE PAYEES*

Notwithstanding the anti-alienation limits of Section 5 of the TLFFRA, withdrawn employee contributions, retirement benefits, disability benefits and death benefits under the Plan may be paid to a former spouse or other alternate payee under the terms of a domestic relations order, but only if the Board of Trustees determines that the order constitutes a Qualified Domestic Relations Order within the meaning of Chapter 804 of the Texas Government Code (referred to here as a "QDRO"). The Board of Trustees shall make such determination under any policies regarding domestic relations orders and QDROs adopted by the Board of Trustees. Benefit payments shall be made to alternate payees only when and to the extent permitted by the QDRO. The amount of any withdrawn employee contribution or benefit payment under the Plan made to an alternate payee under a QDRO shall reduce and offset the amount otherwise payable to the participant or other beneficiary under the provisions of the Plan. If a portion of a withdrawn employee contribution or benefit payment under the Plan exceeds the amount awarded by the QDRO, such excess portion will be distributed in accordance with the plan provisions. Upon the death of an alternate payee under a QDRO, the interest of the alternate payee in the benefits under the Plan

shall cease, and thereafter, remaining plan benefits shall be paid as if the QDRO had not existed.

K. TRANSFERS OF ELIGIBLE ROLLOVER DISTRIBUTIONS

1. This section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the Fund's administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

2. Definitions

- a. *Eligible rollover distribution:* An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Internal Revenue Code of 1986 (IRC or the Code) and the portion of any distribution that is not includible in gross income. Effective for plan years beginning after December 31, 1998, any hardship distributions described in IRC Section 401(k)(2)(B)(i)(IV) are not eligible rollover distributions.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

If the amount of an eligible rollover distribution is greater than \$1,000 and is not being distributed to a surviving spouse, beneficiary or alternate payee under a QDRO (as defined in Section J), then the amount to be distributed may not be distributed without the participant's written consent. Such consent shall include specific participant direction to the Fund's administrator to either (i) pay the amount in a direct trustee to trustee transfer to an eligible plan identified by the participant or (ii) pay

the amount (less applicable federal income tax withholding) directly to the participant.

- b. *Eligible retirement plan:* An eligible retirement plan is an individual retirement account described in IRC Section 408(a), an individual retirement annuity described in IRC Section 408(b), an annuity plan described in IRC Section 403(a), a qualified trust described in IRC Section 401(a), an annuity contract described by Section 403(b) of the Code, or an eligible plan under Section 457(b) of the Code, that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that agrees to separately account for amounts transferred from the Plan, provided that any of the vehicles described above accepts the distributee's eligible rollover distribution.

The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a QDRO (as defined in Section J). In the case of an eligible rollover distribution to a non-spouse beneficiary, an eligible retirement plan includes only an individual retirement account or an individual retirement annuity described above.

- c. *Distributee:* A distributee includes a member or former member, the member's or former member's surviving spouse, the member's or former member's spouse or former spouse who is the alternate payee under a QDRO (as defined in Section J) or the member's or former member's non-spouse beneficiary.
- d. *Direct rollover:* A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

L. *BENEFIT DISTRIBUTIONS AND FEDERAL REQUIREMENTS*

1. All benefit distributions must comply with Section 401(a)(9) of the Code. This section of the Code, together with the Regulations promulgated thereunder, are hereby incorporated by reference in this Plan. The requirements of Section 401(a)(9) of the code and the Regulations shall supersede any distribution option in this Plan which is inconsistent with Section 401(a)(9) of the Code.
2. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.
3. Forfeitures shall not be applied to increase the benefits any firefighter would otherwise receive under the Plan.

4. The normal retirement age for this Plan shall be the later of attainment of age 50 and completion of 20 years of service. The retirement benefit earned by a firefighter shall become nonforfeitable upon attainment of normal retirement age.

M. FIRE CHIEF HIRED ABOVE AGE 35

1. Service Retirement Benefit

- a. A fire chief who becomes a member at age 36 or above will be eligible for a normal service retirement benefit under this Section M when the member terminates service as the fire chief and is age 55 or above with at least ten years of service as the fire chief and less than 20 years of service as the fire chief. If he retires with 20 or more years of service, his benefit will be determined according to Section B(2).
- b. A fire chief who qualifies for a normal service retirement benefit under this Section M will receive a monthly benefit for as long as he remains alive equal to 3.00% of his "Final 84-Month Individual Average Salary" for each whole year of service. A partial year of service will be given partial credit based on the number of completed months in excess of whole years. Payment of the monthly benefit will begin as described in Section B(2).

2. Disability Retirement Benefit

- a. A fire chief who becomes a member at age 36 or above may apply for disability retirement under the provisions of Section C.
- b. The amount of the disability retirement benefit will not be determined according to Section C(2), but will be determined according to Section M(1)(b) as if the fire chief were eligible for a normal service retirement benefit.

3. Death Benefits

- a. If a fire chief who becomes a member at age 36 or above dies while this Plan is in effect with less than 20 years of service as the fire chief, his surviving spouse will receive an immediate monthly benefit for as long as she is alive equal to two-thirds of the benefit that the member would have received according to Section M(1)(b), determined as if he were eligible for a normal service retirement benefit, but based on the greater of his years of service as the fire chief and five years. If there is no surviving spouse, the member's accumulated contributions will be paid

to his estate. If he dies with 20 or more years of service, his surviving spouse will receive a benefit according to Section E.

- b. If a fire chief dies after normal retirement or disability retirement, his surviving spouse will receive an immediate monthly benefit according to Section E. If there is no surviving spouse entitled to a benefit according to Section E, then an amount equal to the excess, if any, of the member's accumulated contributions over the amount of payments which have been made to the retired member or spouse will be paid to his estate.

4. ***Vested Termination Benefit***

If a fire chief who becomes a member at age 36 or above terminates service as the fire chief before becoming eligible to retire according to Section M(1)(a), he will be entitled to a deferred retirement benefit commencing the month after attaining age 55 if he had ten or more years of service as the fire chief at termination and if he leaves his accumulated contributions in the Fund. The monthly benefit amount payable for as long as he lives will be determined according to Section M(1)(b). If he had less than ten years of service as the fire chief at termination, he will be entitled to a return of his accumulated contributions according to Section M(5).

5. ***Return of Member's Accumulated Contributions***

If a fire chief who becomes a member at age 36 or above terminates service for a reason other than disability or death with less than ten years of service, he will receive an amount equal to the excess of his accumulated contributions to the Fund over the amount of benefits which he has previously received from the Fund, if any.

IN WITNESS WHEREOF, this instrument has been executed this 24th day of June 2021, to be effective September 1, 2020.

**TRUSTEES OF THE CLEBURNE FIREFIGHTER'S
RELIEF AND RETIREMENT FUND**



Trustee

Trustee



Trustee

Trustee

Trustee

Trustee

Trustee

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