

Police Officers' and Firefighters' Pension Reform Commission

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Commission Charge

Pursuant to Section 31-31-1001, C.R.S., the Police Officers' and Firefighters' Pension Reform Commission (commission) has the responsibility to study and develop proposed legislation relating to funding of police officers' and firefighters' pensions in the state and benefit designs of such pension plans. The Fire and Police Pension Association (FPPA) was established in 1980 and administers two funds: the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund. Assets in these funds are used for a number of pension plans including the Defined Benefit System, the Statewide Death and Disability Plan, and numerous separate "old hire" plans for police officers and firefighters throughout the state of Colorado. The law directs the commission to study, review, and propose legislation related to these issues including, but not limited to, the following subjects:

- normal retirement age and compulsory retirement;
- payment of benefits prior to normal retirement age;
- service requirements for eligibility;
- rate of accrual of benefits;
- disability benefits;
- survivors' benefits;
- vesting of benefits;
- employee contributions;
- post-retirement increases;
- creation of an administration board;
- creation of a consolidated statewide system;
- distribution of state funds;
- coordination of benefits with other programs; and
- the volunteer firefighter pension system.

Commission Activities

The commission met one time during the 2015 legislative interim on October 21, 2015. The commission heard from the FPPA and the Colorado Municipal League (CML).

At this meeting, the FPPA informed the commission about the state's involvement in fire and police pension plans, as well as the FPPA's Statewide Death and Disability Plan, and recent activities of the FPPA board of directors. The FPPA presented its annual report and funded status. The presentation included discussions of the following subjects.

FPPA pension plans. Old hire pension plans are the member benefit plans that existed prior to reform legislation effective April 8, 1978. Over 99 percent of enrollees in old hire pension plans are in retired status. State contributions to old hire plans concluded May 31, 2013.

The reform legislation of 1978 established the statewide defined benefit plan, also known as the new hire pension plan. This plan is funded by member and employer contributions and is administered by the FPPA.

Election on contribution rates. The FPPA held an election in 2014 to increase contributions by 0.5 percent each year for eight consecutive years (cumulative increase of 4.0 percent). The resolution was approved by 68 percent of pension enrollees, above the required 65 percent. As a result, the contribution rate increased 0.5 percent in 2015 for FPPA members.

Investment allocations. The FPPA informed the commission that net investment assets totaled \$4.6 billion at the close of 2014. These assets are held in the Fire and Police Members' Benefit Investment Fund (\$4.2 billion) and the Fire and Police Members' Self-Directed Investment Fund (\$0.38 billion). The FPPA board of directors serves as fiduciaries and has complete investment authority for these funds.

Municipal issues. The Colorado Municipal League (CML) presented to the committee regarding areas of local concern and the FPPA. Local governments are the main employers under FPPA. In addition, the FPPA board of directors includes members from municipalities and local authorities. CML reported that they have no issues or concerns regarding FPPA or the allocation of pensions at the local level.

Draft bill not recommended by the committee. The committee also considered, but did not recommend, a bill to allow an unmarried member who receives a single life annuity at the time of retirement and whose marital status subsequently changes as a result of a marriage to select a pension option with a beneficiary and designate the new spouse as the beneficiary. In addition, the bill clarified that if a member selected option 3 benefits under the Statewide Death and Disability Plan, then the beneficiary designation is irrevocable.

Commission Recommendations

As a result of commission discussion and deliberation, the Police Officers' and Firefighters' Pension Reform Commission recommends the following two bills for consideration in the 2016 legislative session:

Bill A – County Sheriff Optional Affiliation with the Firefighter and Police Pension Association. Bill A allows counties that do not cover, under the federal Social Security Act, salaried employees whose duties are directly involved with the provision of law enforcement or fire protection to elect coverage under the FPPA. In order to affiliate, the county must file a resolution with the FPPA board, and election of coverage under the plan is irrevocable.

Bill B – Firefighter and Police Pension Association Statewide Death and Disability Plan Modification. Bill B changes the calculation of a transfer from the Statewide Death and Disability Plan of the FPPA to the normal retirement plan of an FPPA member who has incurred a temporary disability. When a temporarily disabled FPPA member is restored to active service or satisfies the age and service requirements for a normal retirement, a transfer is made from the Statewide Death and Disability Plan to the member's normal retirement plan. Under current law, the amount of the transfer is equal to 16 percent of the member's monthly salary, multiplied by the number of months for which the member received temporary occupational disability benefits. Under Bill B, in cases where the member and employer were contributing less than

16 percent of the member's salary to the member's retirement plan at the time of disability, the amount of the transfer will be reduced to reflect the actual percentage contribution at that time.

The bill also changes the deadline for completion of a newly hired member's statewide standard health history form. Under current law, the form must be completed prior to the member's employment. Bill B allows the form to be completed within 30 days of the member's first date of employment.