



Final Report to the General Assembly

Pension Review Commission and Subcommittee
December 2023 | Research Publication 797



Pension Review Commission and Subcommittee

Members of the Commission

Representative Cathy Kipp, Chair
Senator Chris Kolker, Vice Chair

Senator Chris Hansen
Senator Larry Liston
Senator Tom Sullivan
Senator Kevin Van Winkle

Representative Eliza Hamrick
Representative Marc Snyder
Representative Rick Taggart
Representative Don Wilson

Members of the Subcommittee

Representative Eliza Hamrick, Chair
Senator Chris Kolker, Vice Chair

Senator Larry Liston
Mr. Dan Daly
Mr. Jim Mantele
Mr. Thomas "Trey" Rogers
Mr. Lang Sias
Mr. Jack Tate

Representative Don Wilson
Ms. Diane Doney
Ms. Tina Mueh
Mr. Patrick Roybal
Mr. Joshua Sharf
Mr. Earl Wright

Legislative Council Staff

Erin Reynolds, Deputy Fiscal Notes Manager
Katie Ruedebusch, Principal Research Analyst
John Armstrong, Fiscal Analyst

Office of Legislative Legal Services

Nicole Myers, Managing Senior Attorney
Jessica Herrera, Staff Attorney

December | 2023



COLORADO GENERAL ASSEMBLY

EXECUTIVE COMMITTEE

Rep. Stephen Fenberg, Chair
Rep. Julie McCluskie, Vice Chair
Rep. Monica Duran
Sen. Paul Lundeen
Rep. Mike Lynch
Sen. Robert Rodriguez

STAFF

Natalie Castle, Director
Elizabeth Burger, Deputy Director
Manish Jani, Deputy Director



COMMITTEE

Rep. Judy Amabile
Rep. Ryan Armagost
Sen. James Coleman
Sen. Bob Gardner
Sen. Chris Hansen
Rep. Anthony Hartsook
Rep. Iman Jodeh
Rep. Meghan Lukens
Sen. Cleave Simpson
Sen. Jim Smallwood
Sen. Faith Winter
Rep. Chris deGruy-Kennedy

LEGISLATIVE COUNCIL

ROOM 029 STATE CAPITOL
DENVER, COLORADO 80203-1784

E-mail: lcs.ga@state.co.us

303-866-3521 FAX: 303-866-3855 TDD: 303-866-3472

December 2023

To Members of the Seventy-fourth General Assembly:

Submitted herewith is the final report of the Pension Review Commission. This commission was created pursuant to Article 51.1 of Title 24, Colorado Revised Statutes. The purpose of the commission is to study and review the two major pension plans in the state – the Fire and Police Pension Association (FPPA) for police officers and firefighters employed by local governments and the Public Employees' Retirement Association (PERA) pension for state and local government employees – in order to propose legislation and to report back to the legislature and general public.

At its meeting on November 15, 2023, the Legislative Council reviewed the report of this commission. A motion to forward this report and the bill therein for consideration in the 2024 session was approved.

Additionally, this document serves as the final report of the Pension Review Subcommittee. Pursuant to Section 24-51.1-101 (3)(a), the Pension Review Subcommittee must focus on the financial health of PERA.

Sincerely,

/s/ Senator Stephen Fenberg
Chair

Table of Contents

| | |
|---|---|
| Committee Charge | 1 |
| Pension Review Commission | 1 |
| Pension Review Subcommittee..... | 1 |
| Committee Activities..... | 2 |
| Pension Review Commission | 2 |
| Pension Review Subcommittee..... | 4 |
| Summary of Recommendations | 7 |
| Bill A — Additional PERA Service Retirees for Schools..... | 7 |
| Bill B — PERA Retiree Refundable Income Tax Credit..... | 7 |
| Bill C — Fire and Police Pension Law Technical Corrections | 7 |
| Bill D — State Contribution to FPPA Death & Disability Fund | 7 |
| Resource Materials | 8 |
| Meetings and Topics Discussed | 8 |

The texts of the approved bills are included as Attachments A through D after the list of meetings and topics discussed.

This report is also available online at:

**[https://leg.colorado.gov/committees/pension-review-commission/
2023-regular-session](https://leg.colorado.gov/committees/pension-review-commission/2023-regular-session)**

Committee Charge

Pension Review Commission. Pursuant to Section 24-51.1-101, C.R.S., the Pension Review Commission is required to study and develop proposed legislation relating to funding and benefit design of police officers' and firefighters' pensions administered by the Fire and Police Pension Association (FPPA). In addition, the commission must study and may develop proposed legislation relating to the Public Employees' Retirement Association (PERA). Specifically, the law directs the commission to study, review, and propose legislation related to the following subjects including, but not limited to:

- normal retirement age;
- 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 and employer contributions;
- post-retirement increases;
- creation of an administration board;
- creation of a consolidated statewide system;
- coordination of benefits with other programs;
- the volunteer firefighter pension system; and
- state laws related to each pension system.

The Pension Review Commission also hears any recommendations from the Pension Review Subcommittee, which is a year-round, 14-member body tasked with studying the financial health of PERA.

Pension Review Subcommittee. Pursuant to Section 24-51.1-101 (3)(a), the Pension Review Subcommittee focuses on PERA's financial health. Specifically, the subcommittee is responsible for:

- making recommendations to the Pension Review Commission regarding PERA;
- determining the necessity of continuing the annual direct distribution of \$225 million in state funding to PERA;
- suggesting enhancements to PERA's analysis tools and determining whether PERA's model assumptions are meeting targets and achieving sustainability;
- reviewing the annual actuarial valuation of PERA and making comments as necessary;
- making recommendations to PERA's board regarding assumptions, funding policy, reporting practices, or other operational policy;
- semi-annually reviewing the overall financial health of PERA, including the levels of benefits, its sources of funding, and its overall financial viability based on both the assumptions of the board and the requirements of the Governmental Accounting Standards Board, and requesting that PERA adjust its assumptions as appropriate;

- reviewing annually the calculated normal costs that will cover current pension benefits and the share of contributions going to cover PERA's unfunded liability;
- reviewing semi-annually the planned reduction of PERA's unfunded liability, providing an annual report to the General Assembly regarding whether or not PERA is on track to achieve full funding by 2048, and making recommendations to rectify the shortfall as needed;
- providing an annual written report to Colorado citizens on whether PERA is on track to achieve full funding by 2048, and, if not, a report of the corrective actions recommended by the subcommittee or PERA to the legislature to rectify the shortfall;
- after full funding is achieved, making recommendations to the commission, the Joint Budget Committee, and the General Assembly during each legislative session regarding changes to the plan to maintain full funding;
- ensuring PERA's board is administering the association as mandated and making recommendations for the board's structure as warranted; and
- every three years, commissioning an independent review of the economic and investment assumptions used to model PERA's financial situation. The subcommittee shall use experts other than those already working on behalf of the association.

Pension Review Commission Activities

The commission met twice during the 2023 interim. Briefings and presentations were made by the FPPA, PERA, and the Pension Review Subcommittee. The following sections discuss the commission's activities during the 2023 interim.

Fire and Police Pension Association Update

The FPPA's executive leadership provided an organizational update, reviewed its plans and membership, and discussed its investments and funded status.

FPPA plans. The majority of FPPA members are on defined benefit plans, including the Statewide Retirement Plan (244 departments), the Colorado Springs New Hire Pension Plan (2 employers), and the Statewide Retirement Plan with a Money Purchase Component (46 departments), with a total of 12,579 active members and 3,181 retirees as of December 31, 2022. FPPA also administers a defined contribution plan, called the Statewide Money Purchase Plan (52 departments), with a total of 174 active members and 176 retirees. It also invests and administers a local affiliated old hire plan and volunteer firefighter plans. Finally, the FPPA administers a Statewide Death and Disability Plan with a 13,757 members and 1,436 retirees.

Funded status. The FPPA reported that its plans continued to be well-funded, with their Statewide Retirement Plan at 101.7 percent funded, and its Statewide Death and Disability Plan at 81.7 percent funded.

Investments. FPPA representatives described the negative investment returns at the end of 2022, at 7.8 percent, compared to investment returns in 2021 at 15.2 percent.

Updated cost of living adjustment policy. FPPA discussed [House Bill 23-1106](#) which authorized its board to pay noncompounding cost of living adjustments (COLAs) under certain circumstances and how that policy works in practice. The FPPA also discussed how other approaches to cost of living adjustment rates, such as a 3 percent compounding rate, would impact its funded status.

Legislation requests. FPPA members requested that the commission carry two bills. One is a request to fix incorrect references and inconsistent language in Title 31. The other is a request for state funding for FPPA's Death and Disability Plan based on an initial state commitment and updated actuarial valuations.

Active and passive investment approaches. Finally, the FPPA discussed investment approaches, as requested by the commission last year via letter last interim. FPPA explained its rationale for current investment strategy.

Commission recommendations. As a result of its discussions with the FPPA, the commission recommends Bill C, which makes technical corrections to fire and police pension statutes and Bill D, which concerns state funding to the Death and Disability Fund.

Public Employees' Retirement Association Update

PERA's executive leadership discussed PERA's 2022 Annual Comprehensive Financial Report, reviewed bills passed in the 2023 legislative session, talked about expectations for future years, and provided an analysis of passive investments.

PERA plans. PERA provided an overview of its plans, which are a defined benefit plan, a defined contribution plan, voluntary investment programs, and health benefit programs.

PERA governance. The General Assembly sets benefits and contribution structure and provides legislative oversight of PERA, while the PERA Board of Trustees oversees the investment program and benefits administration.

PERA membership. PERA reported that it provides benefits for one in ten Coloradans, or 682,476 people.

2022 Annual Certified Financial Report. PERA overviewed highlights from the 2022 annual report, including asset return and amortization periods to full funding.

Automatic Adjustment Provision. Automatic adjustments are triggered when the ratio of the blended total contribution rate to the blended total required contribution is less than 98 percent or greater than 120 percent. The December 31, 2022, ratio is 105.7 percent, so the AAP will not be triggered in 2024.

Investment program and 2022 performance. PERA manages 59 percent of its assets in-house. In 2022, its rate of return (net-of-fees) was 13.4 percent. The majority of PERA's assets are in

global equities, with the remainder in fixed income, private equity, real estate, alternatives, and cash. The rates of return in 2023 year-to-date are positive.

2023 legislation and future reporting and policy review. PERA provided an overview of the three bills passed by the General Assembly in 2023 that affected the pension. PERA also provided an overview of studies, audits, and policy setting plans from 2023 to 2027.

Analysis of passive investments. As requested by the commission, PERA provided an analysis of its passive investments.

Commission recommendations. As a result of its discussions regarding PERA, the commission recommends Bill A, which concerns allowing additional retirees to return to work for school districts for 140 days per year.

The commission also recommended two bills be drafted which were not approved by the commission, including: Bill 5, concerning making up the remainder of the missed direct distribution payment from 2020, and Bill 6, which would require PERA to exclude contract employees working in schools.

Pension Review Subcommittee Updates

The Pension Review Subcommittee chair presented the subcommittee's recommendation that the Pension Review Commission draft a bill for the 2024 legislative session that would provide a limited duration (potentially until a future auto-adjusted annual increase) income tax credit of at least \$700 annually to each PERA retiree based on the retiree's overall income (through a to-be-determined means test) with state revenue that would otherwise be returned to taxpayers under TABOR and not impact the state's direct distribution to PERA.

Commission recommendations. As a result of this recommendation, the commission requested Bill B, which concerns providing PERA retirees a refundable income tax credit.

Pension Review Subcommittee Activities

The Pension Review Subcommittee met three times during the 2023 interim. Presentations were made primarily by PERA and legislative staff. The following sections discuss the subcommittee's activities during the 2023 interim.

Presentation from PERA

The subcommittee received a briefing from PERA on its 2022 Annual Certified Financial Report. PERA representatives discussed the negative rate of return on investments in 2022, and how its actuarial mechanics allowed for the simultaneous reduction in unfunded actuarial accrued liability. PERA also discussed its investment program and provided an overview of 2023 legislation impacting PERA. Subcommittee members were briefed on upcoming board meetings and legislative hearings regarding PERA, as well as upcoming significant studies PERA

plans to undertake, including the Asset and Liability Study in 2023 and the Actual Experience Study in FY 2025-26.

Members asked questions about:

- the automatic adjustment provision; the hiring process for an executive director;
- triggers in state law that reduce contribution rates; PERA's strategy for investment planning;
- the state's direct distribution; the passive investment study requested by the subcommittee in 2022;
- PERA's upcoming Asset and Liability Study;
- PERA's fixed income investments;
- PERA's strategic asset allocation;
- PERA's investments in real estate;
- PERA's annual increase reserves and the cost of raising the annual increase for retirees;
- alternate ways to measure PERA's investment performance;
- PERA's office space;
- past legislation to address retiree cost of living adjustments;
- how public employers are managing inflation through salary increases; 2023 legislation affecting PERA that failed;
- comparing PERA benefits to social security; and
- the Denver Public School's true-up calculation and how changes to their contribution rate impacts the blended rate for the automatic adjustment provision.

The subcommittee also discussed providing annual increases to retiree benefits, the [Senate Bill 18-200](#) premise of the "shared sacrifice," and considering the other funding models to address the unfunded liability.

PERA representatives followed-up on subcommittee member questions in two documents, available online.

Follow-up Discussion with PERA

The subcommittee invited PERA to return to its meeting on August 25 to discuss the subcommittee's follow-up questions and PERA's provided answers. Members asked questions about how retirement benefit payments were made from the investment portfolio; the number of automatic adjustments still available to PERA; how the Governmental Accounting Standards Board's requirements impact PERA's asset valuation, and thereby contribution rates; PERA's real estate portfolio; the actuarially determined contribution compared to the statutorily required contribution; the upcoming Asset Liability study; and the differing levels of retirement benefits paid out to retirees.

Committee recommendations. Subcommittee members discussed their recommendations. The subcommittee had no specific recommendations for PERA, but it recommended that the Pension Review Commission draft a bill for the 2024 legislative session that would provide a limited duration (potentially until a future auto-adjusted annual increase) income tax credit of at least \$700 annually to each PERA retiree based on the retiree's overall income (through a

to-be-determined means test) with state revenue that would otherwise be returned to taxpayers under TABOR and not impact the state's direct distribution to PERA.

Annual report to Colorado citizens. The subcommittee issued its annual report to Colorado citizens explaining PERA's current unfunded liability and what measures are in place to ensure it will reach full funding by 2048. The report is available online.

Summary of Recommendations

As a result of the commission's discussions, it recommended four bills to the Legislative Council for consideration in the 2024 session. At its meeting on November 15, 2023, the Legislative Council approved four recommended bills for introduction. The approved bills are described below.

Bill A — Additional PERA Service Retirees for Schools

The bill allows school districts to hire up to 10 retirees whenever the district identifies the need for additional instructors. Additionally, school districts may exceed the 10 retiree cap by 1 retiree for every 1,000 students above 10,000 students. School districts must provide a list to the Public Employee's Retirement Association (PERA) of all service retirees it employs under this law.

Bill B — PERA Retiree Refundable Income Tax Credit

For tax years 2024 and 2025 only, this bill creates a \$700 refundable state income tax credit for qualifying PERA retirees who are 65 years old or older at the close of the income tax year for which the credit is claimed, and have an annual gross income of no more than \$38,000 if filing as a single filer or \$76,000 if filing as a joint filer.

Bill C — Fire and Police Pension Law Technical Corrections

The bill makes clarifications and corrects statutory references regarding the FPPA's statewide retirement plan that are consistent with current practices.

Bill D — State Contribution to FPPA Death & Disability Fund

Each July 1 from 2024 to 2026, the bill requires the State Treasurer to transfer \$9.13 million from the General Fund to the Death and Disability Payment Cash Fund, and issue warrants in the same amount to the FPPA for deposit into the FPPA's Statewide Death and Disability Trust Fund.

Resource Materials

Meeting summaries are prepared for each meeting of the committee and contain all handouts provided to the committee. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver (303-866-2055). The listing below contains the dates of committee meetings and the topics discussed at those meetings. Meeting summaries are also available on our website at:

<https://leg.colorado.gov/content/committees>

Meetings and Topics Discussed

Pension Review Subcommittee

July 17, 2023

- Review of the Pension Review Subcommittee charge
- Presentation from PERA

August 25, 2023

- Follow-up discussion with PERA
- Discussion of recommendations for the Pension Review Commission and PERA
- Discussion of Annual Report to Colorado Citizens
- Public testimony

August 28, 2023

- Finalize Subcommittee recommendations and letters

Pension Review Commission

September 13, 2023

- Presentation from the FPPA
- Review recommendations from the Pension Review Subcommittee
- Presentation from PERA
- Public testimony
- Bill draft requests

October 27, 2023

- Public Testimony
- Approval of bill draft requests

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

Attachment A

BILL A

LLS NO. 24-0395.01 Jessica Herrera x4218

HOUSE BILL

HOUSE SPONSORSHIP

Hamrick and Taggart, Kipp, Snyder, Wilson

SENATE SPONSORSHIP

Hansen,

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION'S**
102 **LIMITATIONS ON EMPLOYMENT AFTER RETIREMENT FOR PUBLIC**
103 **SCHOOL EMPLOYERS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

With limited exceptions, current law limits the number of service retirees that a state college or university or an employer in the school or Denver public schools division of the public employees' retirement association (PERA) can hire without a reduction in the service retirees' benefits to 10 service retirees when an employer determines there is a

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

critical shortage of qualified candidates. The bill allows an employer to hire such service retirees when the employer determines there is a need.

In addition, the bill authorizes an employer in the school or Denver public schools division with a student enrollment above 10,000 to hire, without a reduction in service retirees' benefits, an additional service retiree for each 1,000 students enrolled above 10,000. An employer with 10,000 students or less will continue to be allowed to hire 10 service retirees. The bill requires an employer in the school or Denver public schools division to provide PERA with a list of all employed service retirees by September 1 of an applicable calendar year.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-51-1101, **amend**
3 (1.8)(a) and (1.8)(b); and **add** (1.8)(b.5) as follows:

4 **24-51-1101. Employment after service retirement - report -**
5 **definitions - repeal.** (1.8) (a) A service retiree who is hired by a state
6 college or university or by an employer in the school or Denver public
7 schools division of the association pursuant to subsection (1.8)(b) OR
8 SUBSECTION (1.8)(b.5) of this section and who is not subject to ~~subsection~~
9 ~~(1.9) or (5)~~ SUBSECTION (1.3), (1.9), OR (5) of this section may receive
10 salary without reduction in benefits if employment of more than four
11 hours per day does not exceed one hundred forty days in the calendar
12 year, if employment of four hours or less per day does not exceed nine
13 hundred sixteen hours in the calendar year, or if employment consisting
14 of a combination of daily and hourly employment does not exceed one
15 hundred forty days per calendar year, and if the service retiree has not
16 worked for any employer, as defined in section 24-51-101 (20), during the
17 month of the effective date of retirement. A service retiree described in
18 this subsection (1.8)(a) who works for any employer, as defined in section
19 24-51-101 (20), during the month of the effective date of retirement shall
20 be subject to a reduction in benefits as provided in section 24-51-1102

1 (2).

2 (b) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (1.8)(b.5) OF
3 THIS SECTION, a state college or university or an employer in the school
4 or Denver public schools division may hire up to ten service retirees who
5 are not subject to subsection (1.3), (1.9), or (5) of this section in areas
6 where the employer determines that there is a ~~critical shortage of qualified~~
7 ~~candidates~~ NEED and that the service retiree has unique experience, skill,
8 or qualifications that would benefit the employer. The employer shall
9 notify the association upon hiring a service retiree pursuant to this
10 subsection (1.8). A STATE COLLEGE OR UNIVERSITY SHALL PROVIDE A LIST
11 TO THE ASSOCIATION OF ANY AND ALL SERVICE RETIREES ~~employed by the~~
12 ~~employer shall be provided to the association~~ THAT IT EMPLOYS PURSUANT
13 TO THIS SUBSECTION (1.8)(b) at the start of each calendar year and shall
14 ~~be updated~~ UPDATE THE LIST prior to any additional hirings during the
15 same calendar year. AN EMPLOYER IN THE SCHOOL OR DENVER PUBLIC
16 SCHOOLS DIVISION SHALL PROVIDE A LIST TO THE ASSOCIATION OF ANY
17 AND ALL SERVICE RETIREES THAT IT EMPLOYS PURSUANT TO THIS
18 SUBSECTION (1.8)(b) AND PURSUANT TO SUBSECTION (1.8)(b.5) OF THIS
19 SECTION NO LATER THAN SEPTEMBER 1 OF THE APPLICABLE CALENDAR
20 YEAR AND SHALL UPDATE THE LIST PRIOR TO ANY ADDITIONAL HIRINGS
21 DURING THE SAME CALENDAR YEAR.

22 (b.5) IN ADDITION TO THE TEN SERVICE RETIREES, AN EMPLOYER
23 IN THE SCHOOL OR DENVER PUBLIC SCHOOLS DIVISION MAY HIRE
24 PURSUANT TO SUBSECTION (1.8)(b) OF THIS SECTION, AN EMPLOYER IN THE
25 SCHOOL OR DENVER PUBLIC SCHOOLS DIVISION THAT HAS A STUDENT
26 ENROLLMENT GREATER THAN TEN THOUSAND AS OF THE "PUPIL
27 ENROLLMENT COUNT DAY", AS DEFINED IN SECTION 22-54-103 (10.5), OF

1 THE PREVIOUS YEAR MAY HIRE ONE ADDITIONAL SERVICE RETIREE FOR
2 EACH ONE THOUSAND ENROLLED STUDENTS ABOVE TEN THOUSAND.

3 **SECTION 2. Effective date.** This act takes effect July 1, 2024.

4 **SECTION 3. Safety clause.** The general assembly finds,
5 determines, and declares that this act is necessary for the immediate
6 preservation of the public peace, health, or safety or for appropriations for
7 the support and maintenance of the departments of the state and state
8 institutions.

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

Attachment B

BILL B

LLS NO. 24-0396.02 Jessica Herrera x4218

SENATE BILL

SENATE SPONSORSHIP

Kolker and Hansen,

HOUSE SPONSORSHIP

Hamrick and Kipp,

Senate Committees

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE CREATION OF A REFUNDABLE INCOME TAX CREDIT**
102 **FOR QUALIFYING PUBLIC EMPLOYEES' RETIREMENT**
103 **ASSOCIATION RETIREES.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Pension Review Commission. The bill creates a refundable income tax credit that is available for income tax years commencing on or after January 1, 2024, but prior to January 1, 2026, for a qualifying public employees' retirement association retiree, which means a full-time Colorado resident individual who:

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

- Is 65 years of age or older at the end of the 2024 or 2025 income tax year; and
- Has an annual gross income of no more than \$38,000 as a single filer or \$76,000 as a joint filer.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-560 as
3 follows:

4 **39-22-560. Credit against tax - qualifying PERA retirees -**
5 **creation - tax preference performance statement - legislative**
6 **declaration - definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY

7 HEREBY FINDS AND DECLARES THAT:

8 (I) INFLATION RATES HAVE INCREASED OVER THE LAST FEW YEARS
9 AND ARE PREDICTED TO CONTINUE RISING; AND

10 (II) MANY PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
11 RETIREES ARE ON A FIXED INCOME, AND THE COST OF LIVING ADJUSTMENTS
12 FOR RETIREES ARE NOT KEEPING UP WITH RISING INFLATION RATES.

13 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
14 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
15 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
16 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
17 DECLARES THAT THE PURPOSE OF THE TAX EXPENDITURE CREATED IN
18 SUBSECTION (3) OF THIS SECTION IS TO PROVIDE TAX RELIEF FOR CERTAIN
19 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION RETIREES.

20 (c) THE GENERAL ASSEMBLY AND STATE AUDITOR SHALL MEASURE
21 THE EFFECTIVENESS OF THE INCOME TAX CREDIT IN ACHIEVING THE
22 PURPOSE SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE
23 NUMBER OF TAXPAYERS WHO HAVE CLAIMED THE CREDIT.

1 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
2 REQUIRES:

3 (a) "CREDIT" MEANS THE CREDIT AGAINST INCOME TAX THAT IS
4 CREATED IN THIS SECTION.

5 (b) "QUALIFYING PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
6 RETIREE" MEANS A RESIDENT INDIVIDUAL WHO:

7 (I) IS SIXTY-FIVE YEARS OF AGE OR OLDER AT THE CLOSE OF THE
8 INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED; AND

9 (II) HAS AN ANNUAL GROSS INCOME OF NO MORE THAN
10 THIRTY-EIGHT THOUSAND DOLLARS IF FILING AS A SINGLE FILER OR
11 SEVENTY-SIX THOUSAND DOLLARS IF FILING AS A JOINT FILER.

12 (3) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
13 1, 2024, BUT BEFORE JANUARY 1, 2026, A QUALIFYING PUBLIC EMPLOYEES'
14 RETIREMENT ASSOCIATION RETIREE IS ALLOWED A CREDIT IN THE AMOUNT
15 OF SEVEN HUNDRED DOLLARS AGAINST THE TAX IMPOSED BY THIS ARTICLE
16 22.

17 (4) THE AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION
18 THAT EXCEEDS THE QUALIFYING PUBLIC EMPLOYEES' RETIREMENT
19 ASSOCIATION RETIREE'S INCOME TAXES DUE IS REFUNDED TO THE
20 QUALIFYING PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION RETIREE.

21 (5) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2035.

22 **SECTION 2. Act subject to petition - effective date.** This act
23 takes effect at 12:01 a.m. on the day following the expiration of the
24 ninety-day period after final adjournment of the general assembly; except
25 that, if a referendum petition is filed pursuant to section 1 (3) of article V
26 of the state constitution against this act or an item, section, or part of this
27 act within such period, then the act, item, section, or part will not take

1 effect unless approved by the people at the general election to be held in
2 November 2024 and, in such case, will take effect on the date of the
3 official declaration of the vote thereon by the governor.

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

Attachment C

BILL C

LLS NO. 24-0397.01 Nicole Myers x4326

HOUSE BILL

HOUSE SPONSORSHIP

Snyder and Taggart, Hamrick, Kipp, Wilson

SENATE SPONSORSHIP

Kolker and Van Winkle, Hansen, Sullivan

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING TECHNICAL CORRECTIONS TO THE STATUTES THAT**
102 **GOVERN FIRE AND POLICE PENSIONS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Pension Review Commission. House Bill 22-1034 merged 3 retirement plans administered by the fire and police pension association, the statewide defined benefit plan, the statewide hybrid plan, and the social security supplemental plan into a single statewide retirement plan. House Bill 22-1034 accomplished the merger in part by repealing several statutes and relocating some of the substantive provisions of those

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

statutes into new statutes. In doing so, certain statutory cross references were not properly updated to reflect the repeals and relocations. The bill updates the obsolete statutory cross references.

In addition, the bill updates the definition of "member" in the new hire pension plan statute to clarify that a portion of the definition applies only for purposes of the statewide money purchase plan. The bill also repeals an inapplicable portion of the definition of "member" in the statewide retirement plan statute.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 29-5-302, **amend** (6)
3 as follows:

4 **29-5-302. Required benefits - conditions of receiving benefits.**
5 (6) The benefits and maximum payment amount in subsection (2) of this
6 section are increased by the same percentage and at the same time as any
7 fire and police pension association increase in the pension benefit paid to
8 its members pursuant to ~~section 31-31-407, C.R.S.~~ SECTION 31-31.5-410.

9 **SECTION 2.** In Colorado Revised Statutes, 31-30.5-209, **amend**
10 (1) and (2) as follows:

11 **31-30.5-209. Idle funds.** (1) If the governing body of a
12 municipality, by resolution, finds that no person named in this article is,
13 and no such person can become, eligible for payment of a benefit from
14 the municipality's police officers' old hire pension fund established
15 pursuant to section 31-30.5-201 (2), it may authorize use of the money in
16 the fund to make contributions to the defined benefit system trust fund
17 pursuant to ~~section 31-31-402 (2)~~ PART 3 OF ARTICLE 31.5 OF THIS TITLE
18 31, to make contributions to a police benefit fund established pursuant to
19 section 31-31-601 (1)(b), AS SAID SECTION EXISTED PRIOR TO ITS REPEAL,
20 or to make contributions under the federal social security laws if the
21 municipality's police officers are covered by the social security laws. To

1 the extent that money in the fund exceeds three times the present yearly
2 employer contribution to any of the preceding benefit funds on behalf of
3 the municipality's current police officers, such excess may be used for any
4 law-enforcement-related purpose. If the municipality does not employ any
5 police officer, the governing body may authorize use of the money in the
6 fund for any law-enforcement-related purpose. In addition, any money in
7 the fund that is attributable to contributions by the municipality and to
8 interest on such contributions may be used for any police-related purpose
9 and, if no such police-related need exists, then for any purpose as decided
10 by the governing body of the municipality. For the purposes of this
11 subsection (1), contracting with the county or county sheriff for law
12 enforcement service shall not be considered employment of a police
13 officer.

14 (2) If the governing body of a municipality, fire protection district,
15 or county improvement district, by resolution, finds that no person named
16 in this article is, and no such person can become, eligible for payment of
17 a benefit from the employer's firefighters' old hire pension fund, it may
18 authorize use of the money in the fund to make contributions to the
19 defined benefit system trust fund pursuant to ~~section 31-31-402 (2)~~ PART
20 3 OF ARTICLE 31.5 OF THIS TITLE 31 or to make contributions under the
21 federal social security laws if the employer's firefighters are covered by
22 the social security laws. In addition, any money in the fund that is
23 attributable to contributions by the municipality or district and to interest
24 on such contributions may be used for any fire-related purpose and, if no
25 such fire-related need exists, for any purpose as decided by the governing
26 body of the municipality or district.

27 **SECTION 3.** In Colorado Revised Statutes, 31-30.5-307, **amend**

1 (1)(b)(I) as follows:

2 **31-30.5-307. State contribution.** (1) (b) (I) Each employer
3 having rank escalation and having old hire members shall determine for
4 each such employee the percentage that such employee's years served as
5 of January 1, 1980, bear to the total number of years required for
6 retirement. At retirement, the retirement pension shall be divided into that
7 percentage and the remainder. The portion of the retirement pension equal
8 to that percentage earned as of January 1, 1980, shall be subject to rank
9 escalation as provided under the old hire pension plan, and the remainder
10 of the retirement pension shall be subject to the same adjustment as that
11 determined by the fire and police pension association board of directors
12 pursuant to ~~section 31-31-407~~ SECTION 31-31.5-410.

13 **SECTION 4.** In Colorado Revised Statutes, 31-31-102, **amend**
14 introductory portion, (4), and (6) as follows:

15 **31-31-102. Definitions.** As used in this ~~article~~ ARTICLE 31, unless
16 the context otherwise requires:

17 (4) "Member" means an active employee who is a full-time
18 salaried employee of a municipality, fire protection district, fire authority,
19 or county improvement district normally serving at least one thousand six
20 hundred hours in any calendar year and whose duties are directly involved
21 with the provision of police or fire protection, as certified by the
22 member's employer. FOR PURPOSES OF THE STATEWIDE MONEY PURCHASE
23 PLAN, "member" also includes an active employee who works less than
24 sixteen hundred hours per year but otherwise qualifies as a member and
25 whose employer elects to treat all such other similar employees as
26 members. The term does not include clerical or other personnel whose
27 services are auxiliary to police protection, or any volunteer firefighter, as

1 such term is defined in section 31-30-1102 (9). For the purpose of
2 participation in the ~~statewide~~ defined benefit COMPONENT OF THE
3 STATEWIDE RETIREMENT plan pursuant to ~~part 4 of this~~ ARTICLE 31.5 OF
4 THIS TITLE 31 or the statewide money purchase plan pursuant to part 5 of
5 this ~~article~~ ARTICLE 31, but not for the purpose of participation in the
6 statewide death and disability plan pursuant to part 8 of this ~~article~~
7 ARTICLE 31, the term may include clerical or other personnel employed by
8 a fire protection district, fire authority, or county improvement district,
9 whose services are auxiliary to fire protection. For the purpose of
10 eligibility for disability or survivor benefits, "member" includes any
11 employee on an authorized leave of absence.

12 (6) "Retired member" means any member who is retired, disabled,
13 or eligible for a benefit as provided in ~~section 31-31-404 (2)~~ SECTION
14 31-31.5-401.

15 **SECTION 5.** In Colorado Revised Statutes, 31-31-201, **amend**
16 (4) as follows:

17 **31-31-201. Association - creation - board - organization - tax**
18 **exemption.** (4) Neither the members of the board nor any person
19 authorized by the board to act in an official capacity shall be held
20 personally liable for any act undertaken pursuant to the provisions of this
21 ~~article and~~ ARTICLE 31, article 30.5, OR ARTICLE 31.5 of this ~~title~~ TITLE 31.

22 **SECTION 6.** In Colorado Revised Statutes, 31-31-202, **amend**
23 (1)(a)(II) and (1)(d) as follows:

24 **31-31-202. Powers and duties of the board.** (1) The board shall:
25 (a) Establish standards for determining the actuarial soundness of:
26 (II) Alternative pension plans having defined benefits in whole or
27 in part established pursuant to section 31-31-601 (1), AS SAID SECTION

1 EXISTED PRIOR TO ITS REPEAL. Based upon such standards, the board shall
2 require biennial actuarial reviews of such plans with the cost of the
3 reviews to be paid by employers having established such plans.

4 (d) Promulgate rules relating to standards for disclosure of all
5 ramifications of and procedures for obtaining the member approval
6 provided for in section 31-31-601 (1), AS SAID SECTION EXISTED PRIOR TO
7 ITS REPEAL;

8 **SECTION 7.** In Colorado Revised Statutes, 31-31-501, **amend**
9 (7) as follows:

10 **31-31-501. Withdrawal into statewide money purchase plan.**
11 (7) The provisions of ~~sections 31-31-404(1)(b) and~~ SECTION 31-31.5-411
12 (1)(b) that relate to the purchase of service credit forfeited by the refund
13 of member contributions shall not apply to members who are employees
14 of an employer that has withdrawn from the statewide defined benefit
15 plan. Such service credit forfeited by such withdrawal may be purchased
16 pursuant to the provisions of ~~section 31-31-403 (7) or~~ SECTION
17 31-31.5-310.

18 **SECTION 8.** In Colorado Revised Statutes, 31-31-808, **amend**
19 (2) as follows:

20 **31-31-808. Reduction of survivor benefits.** (2) The benefits
21 payable under sections 31-31-807 and 31-31-807.5 to the surviving
22 spouse and dependent children of any member who are also receiving
23 payments from the member's separate retirement account pursuant to
24 ~~section 31-31-406~~ SECTIONS 31-31-412 (1)(c) AND 31-31.5-304 (2) shall
25 be reduced by an amount that is the actuarial equivalent of the benefits
26 such surviving spouse and dependent children receive from the separate
27 retirement account, whether the benefits received from the account are

1 paid on a periodic basis or in a lump sum.

2 **SECTION 9.** In Colorado Revised Statutes, 31-31.5-101, **amend**
3 (5)(f) and (5)(i) as follows:

4 **31-31.5-101. Establishment of the statewide retirement plan**
5 **- definitions.** (5) As used in this article 31.5, unless the context otherwise
6 requires:

7 (f) "Member" means an active employee who is a full-time
8 salaried employee of a municipality, fire protection district, fire authority,
9 or county improvement district normally serving at least one thousand six
10 hundred hours in any calendar year and whose duties are directly involved
11 with the provision of police or fire protection, as certified by the
12 member's employer. ~~"Member" also includes an active employee who~~
13 ~~works less than sixteen hundred hours per year but otherwise qualifies as~~
14 ~~a member and whose employer elects to treat all such other similar~~
15 ~~employees as members.~~ The term does not include clerical or other
16 personnel whose services are auxiliary to police protection, or any
17 volunteer firefighter, as such term is defined in section 31-30-1102 (9).
18 For the purpose of participation in the ~~statewide~~ defined benefit
19 COMPONENT OF THE STATEWIDE RETIREMENT plan pursuant to ~~part 4 of~~
20 ~~article 31 of this title 31~~ THIS ARTICLE 31.5, or the statewide money
21 purchase plan pursuant to part 5 of article 31 of this title 31, but not for
22 the purpose of participation in the statewide death and disability plan
23 pursuant to part 8 of article 31 of this title 31, the term may include
24 clerical or other personnel employed by a fire protection district, fire
25 authority, or county improvement district, whose services are auxiliary to
26 fire protection. For the purpose of eligibility for disability or survivor
27 benefits, "member" includes any employee on an authorized leave of

1 absence.

2 (i) "Retired member" means any member who is retired, disabled,
3 or eligible for a benefit as provided in ~~section 31-31-404 (2)~~ SECTION
4 31-31.5-401.

5 **SECTION 10.** In Colorado Revised Statutes, 31-31.5-501,
6 **amend** (2)(c) as follows:

7 **31-31.5-501. Vesting.** (2) Employer contributions made to the
8 statewide retirement plan that are credited to the money purchase
9 component account are subject to the following vesting rules:

10 (c) Except as provided in subsections (2)(a) and (2)(b) of this
11 section, a member is vested in the employer contributions made to the
12 money purchase component account in the amount of twenty percent for
13 each full year of service performed for a covered department. Upon
14 attaining five full years of service, a member is one hundred percent
15 vested. Vesting also applies to employer contributions allocated pursuant
16 to section 31-31.5-301 (3) or allocated under the predecessor statewide
17 defined benefit plan pursuant to section 31-31-405, AS IT EXISTED PRIOR
18 TO ITS REPEAL.

19 **SECTION 11. Safety clause.** The general assembly finds,
20 determines, and declares that this act is necessary for the immediate
21 preservation of the public peace, health, or safety or for appropriations for
22 the support and maintenance of the departments of the state and state
23 institutions.

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

Attachment D

BILL D

LLS NO. 24-0398.01 Jessica Herrera x4218

HOUSE BILL

HOUSE SPONSORSHIP

Taggart and Hamrick, Kipp, Snyder

SENATE SPONSORSHIP

Hansen and Van Winkle, Kolker, Sullivan

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING PAYMENTS TO THE STATEWIDE DEATH AND DISABILITY**
102 **TRUST FUND TO PAY BENEFITS FOR FIRE AND POLICE PENSION**
103 **ASSOCIATION MEMBERS HIRED BEFORE JANUARY 1, 1997.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Pension Review Commission. For members of the fire and police pension association hired before January 1, 1997, death and disability benefits are paid from state money in the statewide death and disability trust fund (trust fund). State funding for this benefit discontinued in 1997 based on an assumption that the last payment had fully funded all the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

benefits to be paid. An actuarial analysis from 2021 determined that the payment in 1997 was not sufficient to cover the benefit obligations associated with members hired prior to January 1, 1997. The 2021 actuarial analysis indicated a shortfall of \$33.191 million. The state made 2 payments of \$6.65 million on July 1, 2022, and July 1, 2023, to cover a portion of this shortfall. Based on the 2023 actuarial calculation, the remaining shortfall is now \$27.39 million.

The bill requires the state treasurer to pay a total of \$27.39 million, in 3 equal payments of \$9.13 million, to be made on July 1, 2024, July 1, 2025, and July 1, 2026, to the fire and police pension association for it to deposit into the trust fund so that there will be sufficient money to pay future death and disability benefits to these members.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 31-31-811, **amend**
3 (3.5)(a) and (3.5)(b)(I); and **add** (3.5)(b)(III) as follows:

4 **31-31-811. Funding of death and disability benefits.**

5 (3.5) (a) To ensure that there is sufficient money to pay death and
6 disability benefits for members hired before January 1, 1997, the state
7 treasurer shall issue warrants to the fire and police pension association on
8 July 1, 2022, and July 1, 2023, in an amount equal to six million six
9 hundred fifty thousand dollars for each warrant AND ON JULY 1, 2024,
10 JULY 1, 2025, AND JULY 1, 2026, IN AN AMOUNT EQUAL TO NINE MILLION
11 ONE HUNDRED THIRTY THOUSAND DOLLARS FOR EACH WARRANT. The
12 warrant issued on July 1, 2022, is to be paid from the general fund, and
13 the ~~warrant issued on July 1, 2023, is~~ REMAINING WARRANTS ARE to be
14 paid from the death and disability payment cash fund created in
15 subsection (3.5)(b) of this section. The board shall deposit this money in
16 the statewide death and disability trust fund created in section 31-31-813.

17 (b) (I) The death and disability payment cash fund is hereby
18 created in the state treasury. The fund consists of money transferred to the
19 fund in accordance with ~~subsection (3.5)(b)(II)~~ SUBSECTIONS (3.5)(b)(II)

1 AND (3.5)(b)(III) of this section. In accordance with section 24-36-114
2 (1), the state treasurer shall credit all interest and income derived from the
3 deposit and investment of money in the fund to the general fund. The
4 state treasurer shall use the money in the fund for the ~~warrant~~ WARRANTS
5 issued on July 1, 2023, JULY 1, 2024, JULY 1, 2025, AND JULY 1, 2026, in
6 accordance with subsection (3.5)(a) of this section.

7 (III) ON JULY 1, 2024, JULY 1, 2025, AND JULY 1, 2026, THE STATE
8 TREASURER SHALL TRANSFER NINE MILLION ONE HUNDRED THIRTY
9 THOUSAND DOLLARS FROM THE GENERAL FUND TO THE DEATH AND
10 DISABILITY PAYMENT CASH FUND CREATED IN SECTION (3.5)(b)(I) OF THIS
11 SECTION.

12 **SECTION 2. Safety clause.** The general assembly finds,
13 determines, and declares that this act is necessary for the immediate
14 preservation of the public peace, health, or safety or for appropriations for
15 the support and maintenance of the departments of the state and state
16 institutions.