



**Colorado
Legislative
Council
Staff**

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MEMORANDUM

September 15, 2017

TO: Members of the Police Officers' and Firefighters' Pension Reform Commission
FROM: Elizabeth Burger, Principal Research Analyst, (303) 866-6272
SUBJECT: Overview of the Police Officers' and Firefighters' Pension Reform Commission

Summary

This memorandum provides an overview of the Police Officers' and Firefighters' Pension Reform Commission (commission) for the 2017 interim. Specifically, the memorandum provides the following information:

- an overview and history of fire and police pension plans in the state;
- an overview of the Fire and Police Pension Association (FPPA);
- the charge of the commission;
- commission membership and staff;
- commission meeting dates;
- requirements for draft legislation; and
- a summary of draft legislation requested by the FPPA.

Fire and Police Pension Plans History and Overview

Prior to 1980, all fire and police pension plans in Colorado were administered individually by the municipalities or fire protection districts that employed police officers or firefighters. There was no requirement that these local plans be funded on an actuarially sound basis, and, in the mid-1970s, it became apparent that many plans were significantly underfunded. In 1978 and 1979, the General Assembly enacted legislation to reform administration of the plans.

First, legislation limited membership in existing local plans to firefighters and police officers who were hired prior to April 8, 1978. The state contributed funding to stabilize these "old-hire" plans through 2013. More than 99 percent of participants in "old-hire" plans are now retired.

Second, for police officers and firefighters hired on or after April 9, 1978 ("new-hire" plans), the General Assembly created the Statewide Defined Benefit Plan, and established the Fire and Police Pension Association (FPPA) to administer the plan. This plan is funded exclusively through member and employer contributions and does not receive state funding.

Since that time, the legislature has authorized the FPPA to administer the Statewide Money Purchase Plan, which is a defined contribution plan, and the Statewide Hybrid Plan, which has both defined benefit and defined contribution elements. In addition, some local governments cover their police officers under Social Security, but affiliate with the FPPA to provide a supplemental benefit. None of these plans receive state funding.

The FPPA also administers the statewide Death and Disability Plan, which provides disability and death benefits to police officers and firefighters. This plan was previously funded in part by the state, but now is funded entirely through member and employer contributions.

Although the various plans administered by the FPPA do not receive direct state funding, elements of the administration of the plans are outlined in state law, including contribution rates for employers and employees, retirement age, return and transfer of contributions, the process for modifying benefits, and other factors affecting the plans. The FPPA annually brings requests for legislative changes related to the plans to the commission for review and approval.

Overview of the FPPA

The FPPA is political subdivision of the state. It is administered by a nine-member board of directors appointed by the Governor and confirmed by the Senate, consisting of the following members:

- two members representing Colorado municipal employers;
- one member representing full-time paid police officers;
- one member representing full-time paid firefighters;
- one member who is either a retired firefighter or a retired police officer;
- one member of a board of directors of a special district or the full-time paid professional manager of a special district who represents special districts having volunteer firefighters;
- one member from the state's financial or business community with experience in investments;
- one member from the state's financial or business community with experience in insurance disability claims; and
- one member of the state's financial or business community experienced in personnel or corporate administration in corporations of over two hundred employees.

Commission Charge

Pursuant to Section 31-31-1001, C.R.S., the Police Officers' and Firefighters' Pension Reform 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 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 Membership

There are 15 members on the Police Officers' and Firefighters' Pension Reform Commission. The chair is appointed by the Speaker of the House of Representatives in odd years and the President of the Senate in even years, with the vice-chair appointed by the President of the Senate in odd years and the Speaker of the House of Representatives in even years. The members of the commission for the 2017 interim are:

Representative Joann Ginal, Chair

Representative Perry Buck
 Representative Phil Covarrubias
 Representative Jessie Danielson
 Representative Tony Exum, Sr.
 Representative Dominique Jackson
 Representative Jovan Melton
 Representative Donald Valdez
 Representative Kevin Van Winkle
 Representative Dave Williams

Senator John Cooke, Vice-Chair

Senator Leroy Garcia
 Senator Matt Jones
 Senator Ray Scott
 Senator Jack Tate

The commission works closely with the FPPA and other interested parties.

Commission Staff and Website

Legislative Council Staff is charged with assisting the commission in its activities. If you have any questions or would like any additional information concerning the commission, please contact the following staff:

- Elizabeth Burger, Principal Research Analyst, elizabeth.burger@state.co.us, 303-866-6272
- Nicole Myers, Senior Attorney, nicole.myers@state.co.us, 303-866-4326

You may also visit the commission website at: <http://leg.colorado.gov/committees/police-officers-and-firefighters-pension-reform-commission/2017-regular-session>

Commission Meeting Dates

The committee will hold its only meeting on Thursday, September 28, at 1:00 pm in LSB-A.

Requirements for Draft Legislation

Commission approval. The commission may refer bills up to five bills to the Legislative Council, and bills must be approved at public meetings of the commission. The commission must approve any bills at its Thursday, September 28 meeting. Bill drafts and fiscal notes will be sent to the commission at least three days prior to the meeting.

Legislative Council review. The Legislative Council will meet on November 15, 2017, to consider any bills approved by interim committees. Bills not approved by Legislative Council may be introduced during the regular session, but such bills will count against a member's five-bill limit. Commission bills must have prime sponsors prior to consideration by the Legislative Council.

Summary of Requested Bills

The FPPA has the authority to review or initiate proposed legislation affecting new and old-hire plans. The FPPA has requested that the commission review and approve the following bills in 2017.

Bill #1 – FPPA Statewide Standard Health History Form. Members of the FPPA are required to complete a standard health history form at the time they are hired. Bill #1 specifies that employers are required to ensure that members complete the form. It also allows the FPPA to adopt an electric format for the form. Finally, it specifies that any member who omits or conceals a material fact concerning his or her health history may be disqualified from receiving disability or survivor benefits.

Bill #2 – Employer Entry FPPA Defined Benefit System. Bill #2 permits an employer that is affiliated with the FPPA and that provides a local money purchase plan to apply to the FPPA to require all new employees hired after a certain date who are members of the FPPA to participate as a group in the defined benefit system administered by FPPA. The bill also allows an employer who wishes to cover some or all of its existing members in the defined benefit system administered by the FPPA to complete a single application.