

# FPPA 2020 Proposed Legislation

*Task Force Driven ■ Board Directed*



Forward   
with **FPPA**

Fire & Police Pension Association of Colorado



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    - Grant FPPA Board authority to set the contribution policy based on:
      - Stabilization of the annual required contribution
      - Maintaining funded ratio
      - Reduce or eliminate contribution over time

## ➔ FIRE & POLICE PENSION ASSOCIATION

- Political Subdivision of the State of Colorado
- 9 Member Board appointed by the Governor
  - 3 Employers
  - 3 Members
  - 3 Citizens from the financial and business community

## ➔ LEGISLATION

- FPPA Board reviewed recommendations from the member and employer task force in June and set its legislative priorities for 2020.
- The Pension Review Commission, an interim committee of the Legislature, will meet October 21 to hear FPPA's proposals. Items passed by this commission will be introduced in January of 2020.

## ➔ FPPA 2020 AGENDA - OVERVIEW OF HIGHLIGHTS

- Statewide Defined Benefit Plan (SWDB)
  - Increase employer contribution rate by 4% over eight years
  - Convert Separate Retirement Accounts (SRA) to defined contribution accounts
  - Allow members with 30 years of service to retire as early as age 50 under "Rule of 80"
- Increase funding for the Statewide Death and Disability Plan (SWD&D)
- FPPA Board would set funding policy for Old Hire Plans

## ➔ STATEWIDE DEFINED BENEFIT PLAN (SWDB) - Current Plan Terms

- Participation
  - 8,400 Active Members
  - 3,000 Retired Members
  - 79% of Colorado Fire & Police Departments
- Current Benefits
  - 2.0% of HAS for first 10 years or service
  - 2.5% of HAS for each year after 10 years
  - Normal Retirement at age 55 for Vested Members
  - Reduced retirement available at age 50
- Contribution Rates
  - Member: increasing to 12% of salary by 2022
  - Employer: 8% of salary

## ➔ STATEWIDE DEFINED BENEFIT PLAN (SWDB) - Current Plan Facts

- Funded status is 98.6%
- Actuarial determined cost has increased to 17% of salary
- Statutorily required benefit rollbacks if plan becomes actuarially unsound
  - Retirement age increased to age 60
  - Accrual of benefits reduced to 2.0% of HAS for service after 10 years
- COLA is ad hoc – granted at discretion of the Board
  - Currently 0%

### • Historic COLA Table

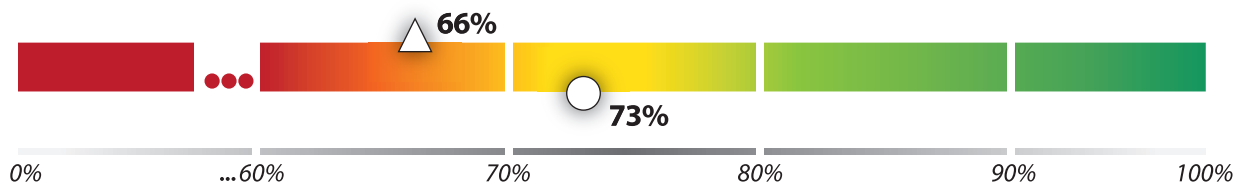
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Granted Adjustment</b>	1.35%	0.00%	1.34%	0.43%	0.48%	0.61%	0.60%	0.56%	0.25%	0.39%	0.00%
<b>Prior Year CPI-W</b>	4.10%	-0.70%	2.10%	3.60%	2.10%	1.40%	1.50%	-0.40%	1.00%	2.10%	2.50%

## ➔ STATEWIDE DEFINED BENEFIT PLAN (SWDB) - Proposed Legislation

- Increase employer contribution rate by 4%
  - Increase by 0.5% of salary per year beginning in 2021, with a total rate of 12% in 2028
    - 0.5% increase equals \$3.5 million based on 2018 salaries
    - Ensures long term full funding of the plan
    - Reduces probability of statutory plan rollbacks
    - Increase likelihood of COLAs in the long term
  - Allows the FPPA Board to offset employer reentry contributions towards the increase
  - Allows the FPPA Board to implement additional equal member and employer contribution increases agreed upon through a member and employer election
  
- Separate Retirement Accounts (SRA)
  - Convert SRA accounts to defined contribution accounts
  - Significant allocations to these accounts have not been made for almost two decades
  
- Rule of 80 beginning at age 50
  - Allows plan members whose age and years of service equal 80 to elect a normal retirement benefit
  - Cost of benefit to be paid by an increase of the employer contribution rate by 1%, to be implemented in 2029 and 2030, after the previous 4% increase if fully implemented. 0.5% each year over 2 years

### ■ Probability of Sufficient Assets - 30 Years

- △ Current Benefits & Funding
- Rule of 80 - Additional 5% Over 10 Years



## ➔ STATEWIDE DEATH & DISABILITY PLAN - Terms & Facts

- Participation
  - 13,000 Active Members
  - 1,200 Disabled Members & Survivors
  - 96% of Colorado Fire & Police Departments
- Current contribution rate is 2.8%
- Current cost of benefits is 3.8% and is expected to increase further
- Current funded status is 73%
- Causes
  - Limits on contributions prevents funding that covers the cost of benefits
  - Experience over time shows an increase in the rate of disabilities

## ➔ STATEWIDE DEATH & DISABILITY PLAN - Proposed Legislation

- Increase contribution rate to 3.0% in 2021
- Allow FPPA Board to adjust rate by 0.2% annually
  - 0.2% of salary is \$1.7million based on 2018 salaries
- \$58 million from the state in 2021
  - To fund shortfall attributable to members hired before January 1, 1997
  - State had the responsibility to fund all benefits for members hired prior to January 1, 1997
  - Actuarial experience shows previous state funding was inadequate to fund the liability

## OLD HIRE PLANS

- Grant FPPA Board authority to set the contribution policy based on:
  - Stabilization of the annual required contribution
  - Maintaining funded ratio
  - Reduce or eliminate contribution over time
- Statutory requirements do not work well as plans wind down



### **Fire & Police Pension Association of Colorado**

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*Proposed legislation has not been finalized at this time. FPPA anticipates presenting draft legislation to the Pension Review Commission of the Colorado Legislature on October 21, 2019. Any actual changes to the plans will be approved by the Legislature and Governor.*