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Fiscal Note

Drafting Number: LLS 22-0173
Prime Sponsors:

Date: October 22, 2021
Bill Status: Bill Request
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Bill Topic: **FPPA STATEWIDE RETIREMENT PLAN**

Summary of Fiscal Impact:

- | | |
|--|---|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input checked="" type="checkbox"/> Statutory Public Entity |

The bill the assets and liabilities of the Fire and Police Pension Association administered Statewide Hybrid Plan and Statewide Defined Benefit Plan, including all plan components, into a new Statewide Retirement Plan. It will increase local expenditures beginning in FY 2022-23 and both increase and decrease expenditures for the Fire and Police Pension Association.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Pension Review Commission.

Summary of Legislation

Effective January 1, 2023, the bill merges the assets and liabilities of the Fire and Police Pension Association (FPPA) administered Statewide Hybrid Plan and Statewide Defined Benefit Plan, including all plan components, into a new Statewide Retirement Plan.

In addition to outlining plan administration and benefits, the bill:

- creates an annuity on Statewide Hybrid Plan benefits accrued prior to the merger to account for the Statewide Hybrid Plan's higher funded ratio, to be based on funded status at time of merger;
- continues a gradual phase-in of employer and employee contribution rate increases enacted through House Bill 20-1044, and creates a new phased-in increase to pay for the costs related to new retirement benefits in the bill;
- creates new parity between the plans by giving the same retirement eligibility currently available to Statewide Defined Benefit Plan members (Rule of 80, which means a beneficiary is retirement eligible when their age plus service credit equal 80) to Statewide Hybrid Plan members and by giving Statewide Defined Benefit Plan members a money purchase component currently available to only Statewide Hybrid Plan members;
- provides additional privacy protections for plan members; and
- extends the death and disability application deadline from 180 to 365 days.

Background

The bill reflects an FPPA Task Force recommendation to merge the assets and liabilities of the Statewide Hybrid Plan with the Statewide Defined Benefit Plan, including the Social Security Supplemental Plan, due to the small size of the Statewide Hybrid Plan. For more information on the legislative recommendation, see <https://www.forwardwithfppa.org>. The FPPA's most recent Certified Annual Financial Report is available online at: <https://www.fppaco.org/PDF/annual-reports/2020-Annual-Report-FPPA.pdf>.

Local Government

For participating local government employers, costs will increase for phased-in employer contribution rate increases. These costs have not been estimated as of writing.

Statutory Public Entity

The bill will create short-term costs and long-term savings for the FPPA, paid from the plan's trust fund. Short-term costs include computer programming and rulemaking related to the plan merger, with work to be completed by existing FPPA staff and paid from the administrative budget. Long-term savings will be achieved in two ways. By merging a small plan into a larger plan, the long-term issue of benefits paid out being greater than contributions paid in is avoided, reducing FPPA's investment risk. The FPPA will also save on actuarial analysis-related costs with one plan to analyze instead of two. Overall, the bill is expected to improve plan stability.

Effective Date

Sections 2 through 4, 6, 8 through 19, and 21 of the bill take effect July 1, 2023. The remainder of the bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Fire and Police Pension Association