

CHAPTER 322

GOVERNMENT - STATE

SENATE BILL 14-214

BY SENATOR(S) Lambert and Steadman, Hodge, Cadman, Grantham, Herpin, King, Lundberg, Marble, Rivera, Roberts;
also REPRESENTATIVE(S) Gerou and May, Duran, Becker, Fields, Ginal, Hamner, Kraft-Tharp, McLachlan, Rankin, Saine,
Schafer, Tyler, Young.

AN ACT

CONCERNING THE STUDIES REQUESTED IN THE DEPARTMENT OF PERSONNEL'S RESPONSE TO THE REQUEST FOR INFORMATION IN THE FISCAL YEAR 2013-14 ANNUAL GENERAL APPROPRIATION ACT, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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

SECTION 1. In Colorado Revised Statutes, 24-50-104, **add** (10) as follows:

24-50-104. Job evaluation and compensation - state employee reserve fund - created - definitions. (10) **Total compensation study including retirement benefits.** (a) By JANUARY 15, 2015, AND BY JANUARY 15 EVERY EIGHTH YEAR THEREAFTER, THE STATE PERSONNEL DIRECTOR SHALL SUBMIT TO THE GOVERNOR AND THE JOINT BUDGET COMMITTEE, ALONG WITH THE ANNUAL COMPENSATION REPORT REQUIRED PURSUANT TO PARAGRAPH (b) OF SUBSECTION (4) OF THIS SECTION, AN ADDENDUM WITH A TOTAL COMPENSATION STUDY THAT INCLUDES RETIREMENT BENEFITS.

(b) THE STATE PERSONNEL DIRECTOR SHALL CONTRACT WITH A THIRD PARTY COMPENSATION CONSULTING FIRM WITH ACTUARIAL EXPERTISE AND NATIONAL STANDING TO PERFORM THE TOTAL COMPENSATION STUDY THAT INCLUDES RETIREMENT BENEFITS REQUIRED PURSUANT TO PARAGRAPH (a) OF THIS SUBSECTION (10). THE STUDY MUST COMPARE TOTAL AND COMPONENT COSTS AND VALUES OF THE STATE'S TOTAL COMPENSATION AGAINST SIMILAR WORKFORCE STRUCTURES, INCLUDING PRIVATE COMPANIES AND OTHER STATES.

(c) FOR PURPOSES OF THE ADDENDUM TO THE ANNUAL COMPENSATION REPORT REQUIRED PURSUANT TO THIS SUBSECTION (10), THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION CREATED IN ARTICLE 51 OF THIS TITLE SHALL PROVIDE

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

ACCESS TO OFFICIAL ASSOCIATION MEMBER INFORMATION AND DATA UNDER A CONFIDENTIALITY AGREEMENT WITH THE THIRD PARTY COMPENSATION CONSULTING FIRM.

(d) THE STATE PERSONNEL DIRECTOR SHALL NOTIFY THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY IF HE OR SHE DETERMINES THAT THE AMOUNT APPROPRIATED BY THE GENERAL ASSEMBLY FOR THE PURPOSE OF THE STUDY REQUIRED PURSUANT TO THIS SUBSECTION (10) IS INSUFFICIENT TO PROCURE A VENDOR TO COMPLETE THE SCOPE OF THE WORK REQUIRED.

SECTION 2. In Colorado Revised Statutes, 24-51-614, **add** (4), (5), (6), (7), and (8) as follows:

24-51-614. Employee retirement benefit study. (4) (a) THE STATE AUDITOR, WITH THE CONCURRENCE OF THE ASSOCIATION, SHALL RETAIN A NATIONALLY RECOGNIZED AND ENROLLED ACTUARIAL FIRM WITH EXPERIENCE IN PUBLIC SECTOR PENSION PLANS TO CONDUCT THE STUDIES DESCRIBED IN SUBSECTIONS (5) AND (6) OF THIS SECTION. THE STATE AUDITOR SHALL ADMINISTER A REQUEST FOR PROPOSALS PROCESS AND SOLICIT INDEPENDENT THIRD-PARTY FIRMS WITH THE NECESSARY CREDENTIALS TO BID FOR PERFORMANCE OF THE STUDIES. THE STATE AUDITOR SHALL SELECT A FIRM THAT HAS A HISTORY OF UNBIASED PEER-REVIEWED RESULTS AND SHALL NOT SELECT A FIRM THAT HAS A KNOWN CONFLICT OF INTEREST THAT MAY INTERFERE WITH ITS ABILITY TO PRODUCE AN OBJECTIVE REPORT. ANY FIRM THAT RESPONDS TO THE REQUEST FOR PROPOSALS SHALL DISCLOSE ANY ASSOCIATION THAT IT HAD OR CURRENTLY HAS WITH A BIASED GROUP. THE STATE AUDITOR AND THE ASSOCIATION MAY RETAIN ONE FIRM TO CONDUCT BOTH STUDIES REQUIRED PURSUANT TO SUBSECTIONS (5) AND (6) OF THIS SECTION OR MAY RETAIN A SEPARATE FIRM TO CONDUCT EACH STUDY. IF, FOLLOWING GOOD FAITH EFFORTS, THE STATE AUDITOR AND THE ASSOCIATION DO NOT CONCUR REGARDING THE SELECTION OF THE FIRM OR FIRMS BY OCTOBER 1, 2014, THE STATE AUDITOR SHALL RETAIN THE FIRM OR FIRMS PREFERRED BY THE STATE AUDITOR. THE STATE AUDITOR SHALL ENTER INTO A CONTRACT WITH THE SELECTED FIRM OR FIRMS BY OCTOBER 31, 2014.

(b) THE STATE AUDITOR AND THE ASSOCIATION SHALL CONFER WITH THE OFFICE OF STATE PLANNING AND BUDGETING TO DETERMINE THE SCOPE OF THE STUDY REQUIRED BY SUBSECTION (5) OF THIS SECTION AND THE ANALYSIS REQUIRED BY SUBSECTION (6) OF THIS SECTION.

(5) (a) THE FIRM SELECTED PURSUANT TO SUBSECTION (4) OF THIS SECTION SHALL PERFORM A COMPREHENSIVE STUDY COMPARING THE COST AND EFFECTIVENESS OF THE CURRENT HYBRID DEFINED BENEFIT PLAN DESIGN ESTABLISHED IN THIS ARTICLE TO ALTERNATIVE PLAN DESIGNS IN THE PUBLIC AND PRIVATE SECTOR. THE STUDY MUST INCLUDE THE FOLLOWING:

(I) A COMPARISON OF THE BENEFITS, COST, AND PORTABILITY OF BENEFITS PROVIDED BY THE ASSOCIATION IN ITS CURRENT PLAN DESIGN WITH THE BENEFITS, COST, AND PORTABILITY OF BENEFITS PROVIDED BY ALTERNATIVE PLAN DESIGNS;

(II) A COMPARISON OF THE CURRENT PLAN DESIGN TO OTHER STATEWIDE PLANS, PRIVATE SECTOR RETIREMENT PLANS, AND ANY OTHER APPROPRIATE PLANS AS

DETERMINED BY THE ASSOCIATION AND THE OFFICE OF THE STATE AUDITOR;

(III) AN ANALYSIS OF THE COST TO EMPLOYEES AND EMPLOYERS THAT WOULD BE INCURRED BY TRANSITIONING FROM THE CURRENT PLAN DESIGN ADMINISTERED BY THE ASSOCIATION TO ALTERNATIVE PLAN DESIGNS;

(IV) THE IMPACT THAT A CHANGE FROM THE CURRENT PLAN DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON EXPECTED RETIREMENT BENEFITS FOR CURRENT AND FUTURE RETIREES OF THE ASSOCIATION;

(V) THE INCREMENTAL IMPACTS THAT A CHANGE FROM THE CURRENT PLAN DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON THE ASSOCIATION'S ABILITY TO FULLY AMORTIZE THE UNFUNDED ACTUARIAL ACCRUED LIABILITY OF EACH DIVISION OF THE ASSOCIATION; AND

(VI) THE IMPACT THAT A CHANGE FROM THE CURRENT PLAN DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON EMPLOYERS AND TAXPAYERS RELATIVE TO THE PLAN DESIGN CURRENTLY SPECIFIED IN LAW.

(b) ON OR BEFORE JULY 15, 2015, THE ASSOCIATION AND THE OFFICE OF THE STATE AUDITOR SHALL DELIVER A REPORT DETAILING THE FINDINGS OF THE STUDY CONDUCTED PURSUANT TO THIS SUBSECTION (5) TO THE OFFICE OF THE GOVERNOR, THE JOINT BUDGET COMMITTEE, THE LEGISLATIVE AUDIT COMMITTEE, AND THE FINANCE COMMITTEES OF THE SENATE AND THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEES.

(6)(a) THE FIRM SELECTED PURSUANT TO SUBSECTION (4) OF THIS SECTION SHALL PERFORM A SENSITIVITY ANALYSIS TO DETERMINE WHEN, FROM AN ACTUARIAL PERSPECTIVE, MODEL ASSUMPTIONS ARE MEETING TARGETS AND ACHIEVING SUSTAINABILITY. IN FURTHERANCE OF MAKING THIS DETERMINATION, THE FIRM SHALL EXAMINE THE DATA THAT THE ASSOCIATION CURRENTLY COLLECTS.

(b) ON OR BEFORE DECEMBER 1, 2015, THE ASSOCIATION AND THE OFFICE OF THE STATE AUDITOR SHALL DELIVER A REPORT DETAILING THE FINDINGS OF THE STUDY CONDUCTED PURSUANT TO THIS SUBSECTION (6) TO THE OFFICE OF THE GOVERNOR, THE JOINT BUDGET COMMITTEE, THE LEGISLATIVE AUDIT COMMITTEE, AND THE FINANCE COMMITTEES OF THE SENATE AND THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEES.

(7) FOR PURPOSES OF THE STUDIES REQUIRED BY SUBSECTIONS (5) AND (6) OF THIS SECTION, THE ASSOCIATION SHALL PROVIDE ACCESS TO OFFICIAL MEMBER INFORMATION AND DATA UNDER A CONFIDENTIALITY AGREEMENT WITH THE RETAINED ACTUARIAL FIRM OR FIRMS.

(8) THE STATE AUDITOR SHALL NOTIFY THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY IF HE OR SHE DETERMINES THAT THE AMOUNT APPROPRIATED BY THE GENERAL ASSEMBLY FOR THE PURPOSE OF THE STUDIES REQUIRED BY SUBSECTIONS (5) AND (6) OF THIS SECTION IS INSUFFICIENT TO PROCURE A VENDOR TO COMPLETE THE SCOPE OF THE WORK REQUIRED.

SECTION 3. Appropriation. (1) In addition to any other appropriation, there

is hereby appropriated, out of any moneys in the general fund, not otherwise appropriated, to the department of personnel, for the fiscal year beginning July 1, 2014, the sum of \$125,000, or so much thereof as may be necessary, to be allocated to the division of human resources, human resource services, state agency services, total compensation and employee engagement surveys, for the implementation of this act for vendor contract expenses.

(2) In addition to any other appropriation, there is hereby appropriated, out of any moneys in the general fund, not otherwise appropriated, to the legislative department, for the fiscal year beginning July 1, 2014, the sum of \$375,000, or so much thereof as may be necessary, to be allocated to the office of the state auditor for the implementation of this act for vendor contract expenses.

SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: June 4, 2014