



## Legislation Summary of House Bill 20-1044

### Task Force Driven ■ Board Directed

A task force of employers (city/county representatives) and employee representatives met 11 times over 9 months ending in the summer of 2019. They made 5 recommendations to the FPPA Board of Directors regarding the future of FPPA administered plans.

#### ➔ Statewide Death & Disability Plan Benefits

##### ■ THE PROBLEM

Due to an increase in the rate of disability claims, the Statewide Death & Disability Plan is underfunded by \$153 million as of Jan 1, 2019 (73% funded). The current funding mechanism is insufficient, thus the plan is collecting far less in contributions than the cost of the D&D benefits. If this problem is not addressed now, then the plan will be unable to fulfill the promises made to its members.

Firefighters and police officers often work in high-risk, high-stress environments, yet they do not pay into Social Security and therefore do not qualify for Social Security Disability. The death and disability fund provides these public safety officers with compensation to allow them, and their families to live in dignity after a disability or death.

##### ■ THE BILL

State and local governments are currently sharing the plan's unfunded liabilities. As a remedy, this legislation allows FPPA to adjust the rate of contribution by 0.2% of salaries annually; current statute allows for 0.1% of salaries every other year in order to pay the full cost of benefits and eliminate the unfunded liability.

#### ➔ Employer Contribution Increase (*municipalities and special districts, not state*)

##### ■ THE PROBLEM

Currently, firefighters and police officer contributions are gradually increasing each year, headed toward a rate of 12% in 2022. Employer contributions remain at 8%, unchanged since 1980. The employer contribution is much lower compared to other public pension plans.

For example:

- The median employer contribution of 101 sampled public safety pension plans is 24.10%
- Colorado State Patrol employer contribution (PERA) is 23.10%

##### ■ THE BILL

The Task Force considered increasing the employer contribution by as much as 8% and after months of negotiations, agreed to a 4% increase to match the employee contributions. The 4% increase to match employee contributions would begin in 2021, at a rate of 0.5% of salary per year, ending at a total of 12% in 2028. This gradual rate of increase recognizes the stress on employers' budgets and eases the transition. This change, endorsed by the plan's actuary, ensures long-term full funding of the plan and addresses the problem before it becomes a crisis.

As a result, this bill:

- Makes the employer and employee contribution rates equal
- Reduces probability of statutory plan rollbacks
- Increases the likelihood of COLAs in the long term
- Allows the FPPA Board to implement additional equal member and employer contribution increases agreed upon through a member and employer election

For more information about **House Bill 20-1044** visit

Forward ➔  
with **FPPA.org**

### Fire & Police Pension Association of Colorado

5290 DTC Parkway,  
Suite 100  
Greenwood Village, CO  
80111

(303) 770-3772  
toll free (800) 322-3772  
fax (303) 771-7622  
**FPPAco.org**

*This document is intended for general informational purposes only. Official interpretations or determinations are based upon the actual State legislation which may result from the bill.*

*continued on back*

**FPPA  
Legislation  
Timeline**

- In June 2019 the FPPA Board reviewed recommendations from a member and employer task force and set these legislative priorities for 2020.
- On October 21, 2019 the Pension Review Commission was presented with the FPPA Board approved proposed legislation.
- In January 2020 after review by Legislative Council the proposed legislation was assigned **House Bill 20-1044** and introduced to the Legislature.
- The bill will move through the Legislature with an anticipated date to the Governor of May 2020.

*continued from front*

➔ **Rule of 80**

■ **THE PROBLEM**

Within the Statewide Defined Benefit Plan, the normal retirement age for vested firefighters and police officers is 55 years old; early retirement with a reduced benefit is available at age 50. Due to the physical toll of their work, many first responders are forced to consider an early, reduced benefit retirement. These public safety officers should be allowed to retire early with an unreduced benefit, particularly if they have had decades of service that has caused physical and mental injuries.

■ **THE BILL**

Age 50 is a common retirement age for first responders around the country. This bill would provide for employees to retire using a "Rule of 80", allowing members with 30 years of service at age 50 to retire with an unreduced benefit. This benefit is for those members who have worked a full career and therefore have earned a full benefit. The cost of this benefit would be paid by a 1% increase in the employer contribution rate, to be implemented in 2029 and 2030 (0.5% each year over the 2 years).

➔ **Separate Retirement Accounts (SRAs)**

■ **THE PROBLEM**

Historically, SRA contributions to members' accounts were based on funds exceeding the cost of the defined benefit plan in a given year. Significant allocations to these accounts have not been made for almost two decades.

The vast majority of members with significant SRA balances are either retired or nearly retired. Based on actuarial projections, these members are not expected to receive adequate COLAs in retirement.

■ **THE BILL**

This bill allows for member SRAs to be converted to defined contribution accounts. This will give these members an opportunity to fund their own COLAs in retirement.

➔ **Old Hire Plans**

■ **THE PROBLEM**

Each of these plans has a unique payment schedule. The current statutory requirement mandating a single funding model for every plan no longer works well as these plans wind down.

■ **THE BILL**

This bill grants authority to the FPPA Board to set policy based on stabilizing contributions, maintaining funded ratio, and reducing or eliminating contributions over time.

**Endorsed By**



Colorado Professional Fire Fighters



Colorado Police Protective Association



Special Districts Association of Colorado



Colorado State Fire Chiefs



Denver Police Protective Association



Colorado AFL-CIO