



**Report to the
Colorado General Assembly**

**Police Officers' and
Firefighters' Pension
Reform Commission**

Prepared by

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Police Officers' and Firefighters' Pension Reform Commission

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December 2015

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December 2015

To Members of the Seventieth General Assembly:

Submitted herewith is the final report of the Police Officers' and Firefighters' Pension Reform Commission. This commission was created pursuant to Section 31-31-2001, C.R.S. The purpose of this commission is to study and review the benefit systems of the Fire and Police Pension Association.

At its meeting on November 10, 2015, the Legislative Council reviewed the report of this commission. A motion to forward this report and the bill therein for consideration in the 2016 session was approved.

Sincerely,

/s/ Senator Bill Cadman
Chairman

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This report is also available on line at:

[https://www.colorado.gov/pacific/cga-legislativecouncil/2015-police officers and firefighters pension reform commission](https://www.colorado.gov/pacific/cga-legislativecouncil/2015-police-officers-and-firefighters-pension-reform-commission)

Commission Charge

Pursuant to Section 31-31-1001, C.R.S., the Police Officers' and Firefighters' Pension Reform Commission (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 Fire and Police Pension Association (FPPA) was established in 1980 and administers two funds: the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund. Assets in these funds are used for a number of pension plans including the Defined Benefit System, the Statewide Death and Disability Plan, and numerous separate "old hire" plans for police officers and firefighters throughout the state of Colorado. 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 Activities

The commission met one time during the 2015 legislative interim on October 21, 2015. The commission heard from the FPPA and the Colorado Municipal League (CML).

At this meeting, the FPPA informed the commission about the state's involvement in fire and police pension plans, as well as the FPPA's Statewide Death and Disability Plan, and recent activities of the FPPA board of directors. The FPPA presented its annual report and funded status. The presentation included discussions of the following subjects

Pension Plans and Member Activities

FPPA pension plans. Old hire pension plans are the member benefit plans that existed prior to reform legislation effective April 8, 1978. Over 99 percent of enrollees in old hire pension plans are in retired status. State contributions to old hire plans concluded May 31, 2013. The reform legislation of 1978 established the statewide defined benefit plan, also known as the new hire pension plan. This plan is funded by member and employer contributions and is administered by the FPPA. Following commission discussion, the commission recommends Bill B which changes the calculation of a transfer from the Statewide

Death and Disability Plan to the normal retirement plan of an FPPA member who has incurred a temporary disability and also changes the deadline for completion of a newly hired members' statewide standard health history form.

Election on contribution rates. The FPPA held an election in 2014 to increase contributions by 0.5 percent each year for eight consecutive years (cumulative increase of 4.0 percent). The resolution was approved by 68 percent of pension enrollees, above the required 65 percent. As a result, the contribution rate increased 0.5 percent in 2015 for FPPA members.

Financial Assessments and Impacts

Investment allocations. The FPPA informed the commission that net investment assets totaled \$4.6 billion at the close of 2014. These assets are held in the Fire and Police Members' Benefit Investment Fund (\$4.2 billion) and the Fire and Police Members' Self-Directed Investment Fund (\$0.38 billion). The FPPA board of directors serves as fiduciaries and has complete investment authority for these funds.

Local government issues. CML presented to the committee regarding areas of local concern and the FPPA. Local governments are the main employers under FPPA. In addition, the FPPA board of directors includes members from municipalities and local authorities. CML reported that they have no issues or concerns regarding FPPA or the allocation of pensions at the local level. Following committee discussion, the commission recommends Bill A, which allows counties that do not cover, under the federal Social Security Act, salaried employees involved in law enforcement or fire protection to elect coverage under the FPPA.

Draft bill not recommended by the committee. The committee also considered, but did not recommend, a bill to allow an unmarried member who receives a single life annuity at the time of retirement and whose marital status subsequently changes as a result of a marriage to select a pension option with a beneficiary and designate the new spouse as the beneficiary. In addition, the bill clarified that if a member selected option 3 benefits under the Statewide Death and Disability Plan, then the beneficiary designation was irrevocable.

Summary of Recommendations

As a result of commission discussion and deliberation, the Police Officers' and Firefighters' Pension Reform Commission recommends the following two bills for consideration in the 2016 legislative session:

Bill A — County Sheriff Optional Affiliation with the FPPA

Bill A allows counties that do not cover, under the federal Social Security Act, salaried employees whose duties are directly involved with the provision of law enforcement or fire protection to elect coverage under the FPPA. In order to affiliate, the county must file a resolution with the FPPA board, and election of coverage under the plan is irrevocable.

Bill B — FPPA Statewide Death and Disability Plan Modification

Bill B changes the calculation of a transfer from the Statewide Death and Disability Plan of the FPPA to the normal retirement plan of an FPPA member who has incurred a temporary disability. When a temporarily disabled FPPA member is restored to active service or satisfies the age and service requirements for a normal retirement, a transfer is made from the Statewide Death and Disability Plan to the member's normal retirement plan. Under current law, the amount of the transfer is equal to 16 percent of the member's monthly salary, multiplied by the number of months for which the member received temporary occupational disability benefits. Under Bill B, in cases where the member and employer were contributing less than 16 percent of the member's salary to the member's retirement plan at the time of disability, the amount of the transfer will be reduced to reflect the actual percentage contribution at that time.

The bill also changes the deadline for completion of a newly hired member's statewide standard health history form. Under current law, the form must be completed prior to the member's employment. Bill B allows the form to be completed within 30 days of the member's first date of employment.

Resource Materials

Meeting summaries are prepared for each meeting of the committee and contain all handouts provided to the committee. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver (303-866-2055). The listing below contains the dates of committee meetings and the topics discussed at those meetings. Meeting summaries are also available on our website at:

<https://www.colorado.gov/pacific/cga-legislativecouncil/interim-committees>

Meeting Date and Topics Discussed

October 21, 2015

- ◆ Overview of commission charge and 2015 legislation
- ◆ Presentation from the Fire and Police Pension Association
- ◆ Municipal issues regarding firefighter and police office pensions
- ◆ Public comment
- ◆ Commission discussion and approval of final bill drafts

Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

BILL A

LLS NO. 16-0329.01 Nicole Myers x4326

HOUSE BILL

HOUSE SPONSORSHIP

Melton and Salazar, Lontine, Ginal

SENATE SPONSORSHIP

Jones,

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING OPTIONAL AFFILIATION WITH THE FIRE AND POLICE**
102 **PENSION ASSOCIATION BY A COUNTY SHERIFF DEPARTMENT**
103 **THAT DOES NOT PARTICIPATE IN SOCIAL SECURITY.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Police Officers' and Firefighters' Pension Reform Commission.
Legislation passed in 2003 allows county sheriff departments that

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

participate in social security to affiliate with the fire and police pension association (FPPA). The bill allows sheriff departments that do not participate in social security to participate in the FPPA.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 31-31-708 as
3 follows:

4 **31-31-708. Optional affiliation by county sheriff.** ANY COUNTY
5 THAT DOES NOT COVER, UNDER THE FEDERAL "SOCIAL SECURITY ACT", AS
6 AMENDED, SALARIED EMPLOYEES WHOSE DUTIES ARE DIRECTLY
7 INVOLVED WITH THE PROVISION OF LAW ENFORCEMENT OR FIRE
8 PROTECTION AS CERTIFIED BY THE COUNTY MAY ELECT COVERAGE UNDER
9 THE STATEWIDE DEFINED BENEFIT PLAN ESTABLISHED IN PART 4 OF THIS
10 ARTICLE AND THE STATEWIDE DEATH AND DISABILITY PLAN ESTABLISHED
11 IN PART 8 OF THIS ARTICLE BY FILING A RESOLUTION OF AFFILIATION WITH
12 THE BOARD. ELECTION OF COVERAGE UNDER THE PLAN IS IRREVOCABLE.

13 **SECTION 2. Act subject to petition - effective date.** This act
14 takes effect at 12:01 a.m. on the day following the expiration of the
15 ninety-day period after final adjournment of the general assembly
16 (August 10, 2016, if adjournment sine die is on May 11, 2016); except
17 that, if a referendum petition is filed pursuant to section 1 (3) of article V
18 of the state constitution against this act or an item, section, or part of this
19 act within such period, then the act, item, section, or part will not take
20 effect unless approved by the people at the general election to be held in
21 November 2016 and, in such case, will take effect on the date of the
22 official declaration of the vote thereon by the governor.

Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

BILL B

LLS NO. 16-0330.01 Nicole Myers x4326

HOUSE BILL

HOUSE SPONSORSHIP

Van Winkle, Buck, Lontine, Ginal

SENATE SPONSORSHIP

(None),

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING MODIFICATIONS TO THE STATEWIDE DEATH AND**
102 **DISABILITY PLAN ADMINISTERED BY THE FIRE AND POLICE**
103 **PENSION ASSOCIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Police Officers' and Firefighters' Pension Reform Commission.

A member of the fire and police pension association (FPPA) who has a temporary disability and returns to work or retires can receive

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Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

contributions from the statewide death and disability plan to the member's normal retirement plan for his or her time on temporary disability. This allows the member to receive a full retirement benefit. Current law requires a transfer from the statewide death and disability plan to the member's normal retirement plan at the rate of 16% of the member's monthly base salary for the time that the member received temporary disability benefits, even if the contribution rate for the member's normal retirement plan was less than 16%. The bill changes the contribution rate to an amount equal to the employer and employee contribution rate being made to the member's normal retirement plan at the time of the disability, not to exceed 16% of the member's monthly base salary.

Currently, FPPA employers are required to ask prospective employees to complete a statewide standard health history form, and the prospective employees are required to complete the form before they may begin employment. The bill changes this requirement and now requires that a newly hired FPPA member complete and submit the form to the FPPA within 30 days of the newly hired member's first day of employment.

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

2 **SECTION 1.** In Colorado Revised Statutes, 31-31-805, **amend**
3 (2) (i) and (2.5) as follows:

4 **31-31-805. Change in disability status - reexamination.**

5 (2) (i) When a temporary occupational disability ceases to exist and the
6 member is restored to active service with the member's employer, a
7 transfer will be made from the statewide death and disability plan to the
8 member's normal retirement plan in the amount of THE MONTHLY
9 EMPLOYER AND EMPLOYEE CONTRIBUTIONS BEING MADE TO THE
10 MEMBER'S PENSION PLAN AT THE TIME OF DISABILITY BUT NOT MORE THAN
11 sixteen percent of the monthly base salary that the member was being
12 paid at the time of disability retirement, multiplied by the number of
13 months the member received temporary occupational disability benefits.
14 The member will receive service credit for such transfer. A restored
15 member of a local plan which has a contribution rate in excess of sixteen

1 percent shall have the difference between the amount transferred and the
2 amount that would have been contributed at the excess rate, made up by
3 an additional contribution from the employer.

4 (2.5) When a member on temporary occupational disability
5 satisfies the age and service requirements for a normal retirement,
6 including the time the member was on temporary occupational disability,
7 a transfer shall be made from the statewide death and disability plan to
8 the member's normal retirement plan in the amount of THE MONTHLY
9 EMPLOYER AND EMPLOYEE CONTRIBUTIONS BEING MADE TO THE
10 MEMBER'S PENSION PLAN AT THE TIME OF DISABILITY BUT NOT MORE THAN
11 sixteen percent of the monthly base salary that the member was being
12 paid at the time of disability retirement, multiplied by the number of
13 months the member received temporary occupational disability benefits.
14 A member of a statewide or local retirement plan that has a mandatory
15 contribution rate in excess of sixteen percent shall have the difference
16 between the amount transferred and the amount that would have been
17 contributed at the excess rate made up by an additional contribution from
18 the employer. The member shall then be granted a normal retirement
19 under the member's normal retirement plan and the temporary
20 occupational disability benefits under the statewide death and disability
21 plan shall terminate.

22 **SECTION 2.** In Colorado Revised Statutes, 31-31-810, **amend**
23 (1) (c) (II) as follows:

24 **31-31-810. Employer liability - statewide standard health**
25 **history form.** (1) (c) (II) Every employer of a member who commences
26 employment on or after September 1, 1989, shall furnish the statewide
27 standard health history form to the prospective NEWLY HIRED member and

1 shall require its completion by the ~~prospective~~ NEWLY HIRED member
2 ~~before allowing the member to enter upon employment~~ WITHIN THIRTY
3 DAYS OF THE FIRST DATE OF EMPLOYMENT. The completed form shall be
4 filed with the fire and police pension association ~~by the employer~~ within
5 sixty days from commencement of employment.

6 **SECTION 3. Applicability.** Section 1 of this act applies to
7 members on temporary occupational disability who are restored to active
8 service or satisfy the age and service requirements for a normal retirement
9 on or after the effective date of this act.

10 **SECTION 4. Act subject to petition - effective date.** This act
11 takes effect at 12:01 a.m. on the day following the expiration of the
12 ninety-day period after final adjournment of the general assembly
13 (August 10, 2016, if adjournment sine die is on May 11, 2016); except
14 that, if a referendum petition is filed pursuant to section 1 (3) of article V
15 of the state constitution against this act or an item, section, or part of this
16 act within such period, then the act, item, section, or part will not take
17 effect unless approved by the people at the general election to be held in
18 November 2016 and, in such case, will take effect on the date of the
19 official declaration of the vote thereon by the governor.