

Police Officers' and Firefighters' Pension Reform Commission

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November 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.

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.

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.

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.

Municipal issues. The Colorado Municipal League (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.

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 is irrevocable.

Commission 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 Firefighter and Police Pension Association. 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 — Firefighter and Police Pension Association 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.

**Second Regular Session
Seventieth General Assembly
STATE OF COLORADO**

BILL A

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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 participate in social security to affiliate with the fire and police pension

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.

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 INVOLVED
7 WITH THE PROVISION OF LAW ENFORCEMENT OR FIRE PROTECTION AS
8 CERTIFIED BY THE COUNTY MAY ELECT COVERAGE UNDER THE STATEWIDE
9 DEFINED BENEFIT PLAN ESTABLISHED IN PART 4 OF THIS ARTICLE AND THE
10 STATEWIDE DEATH AND DISABILITY PLAN ESTABLISHED IN PART 8 OF THIS
11 ARTICLE BY FILING A RESOLUTION OF AFFILIATION WITH THE BOARD.
12 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 (August
16 10, 2016, if adjournment sine die is on May 11, 2016); except that, if a
17 referendum petition is filed pursuant to section 1 (3) of article V of the
18 state constitution against this act or an item, section, or part of this act
19 within such period, then the act, item, section, or part will not take effect
20 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

Temporary storage location: S:\LCS\Council\Legcouncil\LC2015\Nov 10 Interim Committee Meeting\Police Officers' and Firefighters' Pension Reform Commission\Bill B.wpd

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 MEMBER'S
10 PENSION PLAN AT THE TIME OF DISABILITY BUT NOT MORE THAN sixteen
11 percent of the monthly base salary that the member was being paid at the
12 time of disability retirement, multiplied by the number of months the
13 member received temporary occupational disability benefits. The member
14 will receive service credit for such transfer. A restored member of a local
15 plan which has a contribution rate in excess of sixteen percent shall have

1 the difference between the amount transferred and the amount that would
2 have been contributed at the excess rate, made up by an additional
3 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 the
8 member's normal retirement plan in the amount of THE MONTHLY
9 EMPLOYER AND EMPLOYEE CONTRIBUTIONS BEING MADE TO THE MEMBER'S
10 PENSION PLAN AT THE TIME OF DISABILITY BUT NOT MORE THAN sixteen
11 percent of the monthly base salary that the member was being paid at the
12 time of disability retirement, multiplied by the number of months the
13 member received temporary occupational disability benefits. A member
14 of a statewide or local retirement plan that has a mandatory contribution
15 rate in excess of sixteen percent shall have the difference between the
16 amount transferred and the amount that would have been contributed at
17 the excess rate made up by an additional contribution from the employer.
18 The member shall then be granted a normal retirement under the
19 member's normal retirement plan and the temporary occupational
20 disability benefits under the statewide death and disability plan shall
21 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 (August
13 10, 2016, if adjournment sine die is on May 11, 2016); except that, if a
14 referendum petition is filed pursuant to section 1 (3) of article V of the
15 state constitution against this act or an item, section, or part of this act
16 within such period, then the act, item, section, or part will not take effect
17 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.

COLORADO REVISED STATUTES

*** This document reflects changes current through all laws passed at the First Regular Session of the Seventieth General Assembly of the State of Colorado (2015) ***

TITLE 31. GOVERNMENT - MUNICIPAL
POWERS AND FUNCTIONS OF CITIES AND TOWNS
ARTICLE 31. FIRE - POLICE - NEW HIRE PENSION PLANS
PART 10. POLICE OFFICERS' AND FIREFIGHTERS' PENSION REFORM COMMISSION

C.R.S. 31-31-1001 (2015)

31-31-1001. Police officers' and firefighters' pension reform commission - creation - duties

(1) (a) There is hereby created the police officers' and firefighters' pension reform commission to be comprised of five senators appointed by the president of the senate and ten representatives appointed by the speaker of the house of representatives. The party representation shall be in proportion generally to the relative number of members of the two major political parties in each chamber. The chair shall be designated by the speaker of the house of representatives in odd-numbered years and by the president of the senate in even-numbered years. The vice-chair shall be appointed by the speaker of the house of representatives in even-numbered years and by the president of the senate in odd-numbered years. Members of the commission shall receive the same per diem allowance authorized for other members of the general assembly serving on interim study committees and actual expenses for participation in meetings of the commission. Staff services for the commission shall be furnished by the state auditor's office, the legislative council, and the office of legislative legal services. The state auditor, with the approval of the commission, may contract for services deemed necessary for the implementation of this part 10.

(b) The terms of the members appointed by the speaker of the house of representatives and the president of the senate and who are serving on March 22, 2007, shall be extended to and expire on or shall terminate on the convening date of the first regular session of the sixty-seventh general assembly. As soon as practicable after such convening date, the speaker and the president shall appoint or reappoint members in the same manner as provided in paragraph (a) of this subsection (1). Thereafter, the terms of members appointed or reappointed by the speaker and the president shall expire on the convening date of the first regular session of each general assembly, and all subsequent appointments and reappointments by the speaker and the president shall be made as soon as practicable after such convening date. The person making the original appointment or reappointment shall fill any vacancy by appointment for the remainder of an unexpired term. Members appointed or reappointed by the speaker and the president shall serve at the pleasure of the appointing authority and shall continue in office until the member's successor is appointed.

(2) The commission shall study and develop proposed legislation relating to funding of police officers' and firefighters' pensions in this state and benefit designs of such pension plans. The commission study shall include a review of, and the proposed legislation may include, among other subjects, the following:

- (a) Normal retirement age and compulsory retirement;
- (b) Payment of benefits prior to normal retirement age;
- (c) Service requirements for eligibility;
- (d) Rate of accrual of benefits;
- (e) Disability benefits;
- (f) Survivors' benefits;
- (g) Vesting of benefits;
- (h) Employee contributions;
- (i) Postretirement increases;
- (j) Creation of an administrative board;
- (k) Creation of a consolidated statewide system;
- (l) Distribution of state funds;
- (m) Coordination of benefits with other programs;
- (n) The volunteer firefighter pension system;
- (o) The provisions of this article and article 30.5 of this title.

(3) Repealed.

HISTORY: Source: L. 96: Entire article added with relocations, p. 939, § 1, effective May 23.L. 2000: (1) amended, p. 116, § 3, effective March 15.L. 2007: (1) amended, p. 190, § 27, effective March 22.L. 2010: (3) added, ([SB 10-213](#)), [ch. 375](#), [p. 1763](#), [§ 10](#), effective June 7.