

Colorado Legislative Council Staff Fiscal Note
**STATUTORY PUBLIC ENTITY and
 LOCAL FISCAL IMPACT**

Drafting Number: LLS 15-0070
Prime Sponsor(s): Sen. Balmer
 Rep. Ginal

Date: January 21, 2015
Bill Status: Senate Finance
Fiscal Analyst: Alex Schatz (303-866-4375)

BILL TOPIC: FPPA PLAN EMPLOYEE PARTICIPATION REQUIREMENTS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures		
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

This bill, **recommended by the Police Officers' and Firefighters' Pension Reform Commission**, requires a fire chief who elects to be exempted from the Fire and Police Pension Association's (FPPA's) defined benefit plan to participate in the federal Social Security program or in another federally regulated retirement program. A fire chief who is exempted from the FPPA defined benefit plan, but enrolled in the FPPA's statewide death and disability plan, is required to participate in either an alternate FPPA retirement program or a local retirement plan with a contribution rate of at least 16 percent of income toward the employee's retirement.

The bill also requires a local fire department that is a Social Security employer participating in the FPPA statewide death and disability plan to participate in the FPPA Social Security Supplemental Retirement Plan. If not participating as directed by the bill, the statewide death and disability coverage of an affected local government employer may be terminated by the FPPA board on or after January 1, 2017.

Background

Federal law, including the Social Security Act and the Federal Insurance Contribution Act, establish the basic framework for most employers and employees to determine responsibility for retirement benefits. However, participation in FPPA exempts individual members and their local government employers from various federal requirements. Members of the FPPA do not generally contribute to Social Security, and relatively few fire departments are Social Security employers.

Statutory Public Entity Impact

The bill results in a minimal increase in the FPPA's workload. The addition of new members to FPPA plans, such as the Social Security Supplemental Retirement Plan, will require a small administrative effort. Monitoring and enforcing the participation requirements of the bill also requires minimal administrative time.

Local Government Impact

The majority of local governments operating fire departments in Colorado are unaffected by this bill. In limited circumstances, municipalities and special districts that operate a fire department may desire to increase expenditures to maintain current FPPA benefits for employees. These circumstances consist of:

- Local governments that operate a fire department with members in the FPPA statewide death and disability plan but not participating in the FPPA Social Security Supplemental Retirement Plan are required to change their participation status or face possible termination of death and disability coverage. Expenditures must increase, or other budget actions taken, if an affected local government seeks to maintain its FPPA benefits under the death and disability plan.
- The conditions placed on fire chief participation in the FPPA statewide death and disability plan are assumed to affect relatively few chiefs. It is possible that a Colorado municipality or fire protection district may consider contributing more to a chief's supplemental retirement as a result of the bill.

Because the population that would be affected by this bill cannot be determined for this analysis, the fiscal impact is not estimated for fire departments impacted by the legislation.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Fire and Police Pension Association
Special Districts

Local Affairs
Municipalities

Fire Chiefs
PERA