

*Colorado Legislative Council Staff Fiscal Note*

**STATE and  
STATUTORY PUBLIC ENTITY  
FISCAL IMPACT**

**Drafting Number:** LLS 11-0955  
**Prime Sponsor(s):** Sen. Hodge

**Date:** April 5, 2011  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING CONTRIBUTIONS TO PAY THE UNFUNDED ACCRUED LIABILITY OF OLD HIRE PENSION PLANS THAT ARE AFFILIATED WITH THE FIRE AND POLICE PENSION ASSOCIATION, AND MAKING AN APPROPRIATION THEREFOR.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013	FY 2013-2014 to FY 2018-2019
<b>State Revenue</b>			
<b>State Expenditures</b> General Fund Exempt	(\$20.0 million)	(\$15.3 million)	\$66.9 million See State Expenditures section
<b>FTE Position Change</b>			
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.			
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.			
<b>Local Government Impact:</b> None.			

**Summary of Legislation**

This bill changes the state's contributions toward the unfunded liability of old hire pension plans affiliated with the Fire and Police Pension Association (FPPA) as follows:

- extends by four years the date by which all unfunded liabilities of the state shall be eliminated, to June 30, 2019;
- requires updated annual actuarial studies be conducted through April 30, 2019, or until all state-assisted old hire pension plans are fully funded, whichever comes first;
- reduces by \$20 million the amount of the state's annual contribution for FY 2011-12, payable on April 30, 2012, to \$5,321,079;
- reduces by \$15.3 million the amount of the state's annual contribution for FY 2012-13, payable on April 30, 2013, to \$10 million; and
- requires the state to fund the unfunded liability created as a result of the reductions in state contributions under this bill by April 30, 2019.

**Background**

In 1978 and 1979, the state enacted legislation to reform local pension plans for police officers and firefighters hired prior to April 8, 1978 (old hire). The purpose of the reform was to ensure that local pension plans were actuarially sound, and included state financial assistance conditioned on increases in both employer and employee contributions. The state currently provides assistance to eight old hire plans under the management of the FPPA. Under current law, the Department of the Treasury pays \$25.3 million annually to the FPPA from insurance premium taxes that would otherwise be credited to the General Fund, with a final balloon payment of \$83.9 million due on April 30, 2015.

**State Expenditures**

**In the short-term, this bill reduces state expenditures made to the FPPA by \$20 million in FY 2011-12 and \$15.3 million in FY 2012-13.**

Over the long-term, state expenditures will be increased by \$31.6 million to account for a reduction in payments in fiscal years 2011-12 and 2013-13 and the extension of annual payments by four fiscal years. As shown in Table 1, payments of \$25.3 million are extended for three additional fiscal years and a final payment of \$49.4 million is anticipated to be due April 30, 2019. The actual amount payable in 2019 will be calculated based on an updated actuarial study.

<b>Fiscal Year</b>	<b>Current Law</b>	<b>Under SB 11-221</b>	<b>Net Change</b>
FY 2011-12	\$25,321,079	\$5,321,079	(\$20,000,000)
FY 2012-13	25,321,079	10,000,000	(15,321,079)
FY 2013-14	25,321,079	25,321,079	0
FY 2014-15	83,853,854	25,321,079	(58,532,775)
FY 2015-16	-	25,321,079	25,321,079
FY 2016-17	-	25,321,079	25,321,079
FY 2017-18	-	25,321,079	25,321,079
FY 2018-19	-	49,443,768	49,443,768
<b>TOTAL</b>	<b>\$159,817,091</b>	<b>\$191,370,242</b>	<b>\$31,553,151</b>

**Statutory Public Entity Impact**

This bill will create new unfunded liabilities in the FPPA for state-assisted old hire pension plans. Current law requires the state to pay any unfunded liabilities created as a result of reductions in state contributions. Under SB 11-221, the state will reduce contributions in fiscal years 2011-12

and 2012-13, extend its payment schedule by four fiscal years, and amortize all unfunded liability in 2019. As shown in Table 1 in the state expenditures section, the current estimate of the net increase in payments to the FPPA is \$31.6 million.

**State Appropriations**

For FY 2011-12, the Department of Treasury's appropriation to the special purpose division for the Fire and Police Pension Association - Old Hire Plans line is reduced by \$20 million. The introduced bill includes the required appropriation.

**Departments Contacted**

Joint Budget Committee

Local Affairs

Treasury