

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

Drafting Number: LLS 14-0143	Date: January 22, 2014
Prime Sponsor(s): Sen. Tochtrop Rep. Rosenthal	Bill Status: Senate Business, Labor, & Technology
	Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: FPPA OLD HIRE PLANS

Fiscal Impact Summary	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures		
FTE Position Change		
Appropriation Required: None.		

Summary of Legislation

This bill modifies financial obligations and procedures related to the administration of old hire pension plans (old hire plans) by the Fire and Police Pension Association (FPPA).

The bill:

- requires the FPPA to conduct an actuarial study of each old hire plan by July 1, 2014, and every two years thereafter until the plan is terminated;
- requires local government employers that maintain an old hire plan with the FPPA to make annual contributions that will amortize the unfunded liability of the plan in 20 years, or the average number of years of life expectancy for members enrolled in the plan, whichever is less;
- requires local governments to make contributions sufficient to cover amended plan benefits, as determined by actuarial studies;
- repeals contribution schedules associated with state contributions toward unfunded liability; and
- regarding FPPA-affiliated old hire plans, delineates FPPA authority to make investments, collect state and local contributions, make benefit payments, and perform other duties; and local government authority to set eligibility and benefit criteria, keep records, and take other actions related to old hire plans.

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. Senate Bill 13-234 completed the state's obligation to fund old hire plans as of May 31, 2013.

Four old hire plans continue to have unfunded liability that must be addressed with local government finances. The affected plans are:

- Denver Police;
- Lakewood Fire;
- North Washington Fire; and
- Pueblo Fire.

Statutory Public Entity Impact

The bill results in a minimal increase in costs for the FPPA. Immediately after the bill takes effect and not later than July 1, 2014, the FPPA must conduct an actuarial study of each active old hire plan. Periodic updates of actuarial studies is generally consistent with current practice and will not require significant alteration of FPPA administration. By requiring the unfunded liability of plans to be amortized within a specific timeframe, the bill reduces long-term administrative costs associated with old hire plans and limits the cost of more intense actuarial oversight.

Local Government Impact

The bill increases local government expenditures for certain municipalities and special districts, as required to amortize the unfunded liability of old hire plans within the timeframe dictated by the bill. In particular, the City of Pueblo (Pueblo Fire) and the North Washington Fire Protection District are not presently making payments toward unfunded liability at the level required by the bill. According to the FPPA, as of January 1, 2014, the old hire plan of Pueblo Fire is estimated to have \$15.2 million in unfunded liability and the North Washington Fire's old hire plan has an estimated unfunded liability of \$1.7 million.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Local Affairs

Special Districts

Fire and Police Pension Association

Municipalities