

Colorado Legislative Council Staff Fiscal Note

NO FISCAL IMPACT

Drafting Number: LLS 15-0067
Prime Sponsor(s): Sen. Jones
Rep. Melton

Date: January 20, 2015
Bill Status: Senate Finance
Fiscal Analyst: Alex Schatz (303-866-4375)

BILL TOPIC: TRANSFER PENSION PLAN FUNDS TO FPPA

Summary of Legislation

Under current law, a former or current police officer or firefighter who is a member of the Fire and Police Pension Association (FPPA) may use distributions from another eligible pension plan to purchase service credit in the FPPA's statewide defined benefit plan.

This bill, **recommended by the Police Officers' and Firefighters' Pension Reform Commission**, creates a new, separate process to roll over distributions from other pension accounts, causing the transaction to be considered a rollover rather than a purchase of service credit under applicable tax law. Generally, the bill maintains current statutory criteria about what other pension accounts are eligible to transfer funds, but for rollovers the statutory requirement to provide documentation of dates and salaries in past employment is eliminated and replaced with a requirement that service credit granted in a rollover is calculated on an actuarially equivalent basis.

Background

Federal tax law recognizes a distinction between the purchase of pension benefits and a rollover between pension funds. This bill allows FPPA members to receive tax treatment as a rollover when transferring funds. A purchase of service credit remains available, and will be used by FPPA members whose accounts require supplementation following a rollover.

Assessment

The bill is assessed as having no fiscal impact, as it addresses the treatment of funds owned by individual members of the FPPA. The bill supports the actuarial soundness of FPPA pension funds but does not change the revenue or expenditures of the FPPA or any contributing state or local agency.

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