

RECOMMENDATIONS FOR 2002

**POLICE OFFICERS' AND FIREFIGHTERS'
PENSION REFORM COMMISSION**

**Report to the
Colorado General Assembly**

**Research Publication No. 493
December 2001**

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December 2001

To Members of the Sixty-third General Assembly:

Submitted herewith is the final report of the Police Officers' and Firefighters' Pension Reform Commission. This commission is a statutory committee established under Section 31-31-1001, C.R.S.

At its meeting on November 15, 2001, the Legislative Council reviewed the report of this commission. A motion to forward this report and the bills therein for consideration in the 2002 session was approved.

Respectfully submitted,

/s/ Senator Stan Matsunaka
Chairman
Legislative Council

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POLICE OFFICERS' AND FIREFIGHTERS' PENSION REFORM COMMISSION

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STATUTORY AUTHORITY AND RESPONSIBILITIES

Commission Charge

In 1978, Senate Bill 46 (Parts 8 and 9, Article 30, Title 31, C.R.S.) created a statutory Police Officers' and Firefighters' Pension Reform Commission to study and develop legislation relating to the funding of police and fire pensions and the benefit designs of such plans. In 1996, Senate Bill 96-11 relocated these provisions to Articles 30.5 and 31 of Title 31, C.R.S.

Commission Activities and Recommendations

The commission held three meetings during the 2001 Interim. At these meetings the commission received an historical overview of state involvement in fire and police pension plans, a review of the 2001 Fire and Police Pension Association (FPPA) annual financial report, and detail about 2000 FPPA investment performance. The pension fund currently controls in excess of \$2.3 billion in assets. The commission considered legislation requested by the Board of Directors of the FPPA.

As a result of commission discussion and deliberation, the commission recommends three bills for consideration in the 2002 legislative session.

Bill A — Concerning State Contributions to Volunteer Firefighter Pension Plans

Bill A simplifies the method of calculating state matching contributions to local volunteer firefighter plans without changing the actual state contributions to those plans. The bill increases the minimum state contribution to \$1000 (from \$500) for any municipality or district that contributes the proceeds of a levy of one-half mill on the current valuation for assessment of the municipality or district.

Bill B — Concerning Authorization for Members of the Statewide Defined Benefit Plan to Acquire Service Credit for Prior Employment Not Covered by the Plan

Bill B allows FPPA members to purchase service credit for any prior public service, for prior private sector service of up to five years (after five years of service credit are earned), and would ease the process for granting service credit for funds rolled over from other eligible

retirement plans. Service credit would be purchased for the Statewide Defined Benefit Plan which is administered by the Fire and Police Pension Association and is funded entirely through employer and member contributions. By purchasing service credit an FPPA member increases the amount of service that the FPPA will use to determine eligibility for retirement and calculate retirement benefits.

Bill C — Concerning Death and Disability Benefits for Members of the Statewide Death and Disability Plan for Police Officers and Firefighters

The FPPA administers the Statewide Death and Disability Plan which covers nearly all paid police officers and firefighters in the state. The cost of the plan is covered through employer and/or member contributions. Bill C:

- C creates a permanent occupational disability benefit and a temporary occupational disability benefit for members of the Statewide Death and Disability Plan;
- C states that a member who becomes permanently occupationally disabled shall be retired from active service while such disability continues and specifies that the annual disability benefit for a permanent occupational disability shall be 50 percent of the annual base salary paid to the member immediately preceding retirement for disability;
- C states that a member who becomes temporarily occupationally disabled shall be retired from active service for as long as the temporary occupational disability continues for a period of up to five years from the date of the original disablement and specifies that the annual disability benefit for a member who is temporarily disabled shall be 40 percent of the annual base salary paid to the member immediately preceding retirement for disability;
- C states that a member who receives a temporary occupational disability benefit shall be subject to reexamination at the discretion of the Board of Directors of the FPPA;
- C allows a member receiving a temporary occupational disability benefit to apply for an upgrade to a permanent occupational disability or total disability within a specified time;
- C requires that all disability benefits be redetermined each year;
- C reduces disability benefits by the actuarial equivalent of the benefits the member is eligible to receive from the separate retirement account or local pension plan if a member receives total or permanent occupational disability benefits and is eligible to receive payments from the member's separate retirement account or local pension plan;

- C states that when a member's temporary occupational disability ceases to exist and the member is restored to active service, a transfer will be made from the Statewide Death and Disability Plan to the member's normal retirement plan in the amount of 16 percent of the monthly base salary that the member was paid at the time of disability retirement, multiplied by the number of months the member received the temporary occupational disability benefit;
- C states that if a member, while receiving a temporary occupational disability benefit, satisfies the age and service requirements for a normal retirement, a transfer will be made from the Statewide Death and Disability Plan to the member's defined benefit plan in the amount of 16 percent of the monthly base salary that the member was paid at the time of disability retirement, multiplied by the number of months the member received the temporary occupational disability benefit. States that such member shall then be granted a normal retirement and the disability benefit shall terminate;
- C allows a member's family to receive the same survivor benefits that the family would receive had the member died while in active service if the member dies while receiving a temporary occupational disability benefit;
- C increases the survivor benefit for survivors of members of the Statewide Death and Disability Plan for police officers and firefighters if the member dies while in active service in the line of duty; and
- C modifies the division of the survivor benefit in the event that a surviving spouse and one or more dependent children residing in a separate household from the surviving spouse must share the benefit.

RESOURCE MATERIALS

The resource materials listed below were provided to the commission or developed by Legislative Council Staff during the course of the study. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver (303) 866-2055. For a limited period of time, the meeting summaries and materials developed by Legislative Council Staff are available on our web site at:

www.state.co.us/gov_dir/leg_dir/lcsstaff/2001/01interim

1. *Staff Summaries of Meetings: September 25, 2001, October 2, 2001, and October 4, 2001.*
2. *Fire and Police Pension Association of Colorado Annual Update, prepared for the State of Colorado Pension Reform Commission, September, 2001.*

Second Regular Session
Sixty-third General Assembly
STATE OF COLORADO

BILL B

DRAFT

LLS NO. 02-0085.01 Christy Chase

HOUSE BILL

HOUSE SPONSORSHIP

Miller, Mace, and Webster

SENATE SPONSORSHIP

Hanna,

A BILL FOR AN ACT

101 CONCERNING THE AUTHORIZATION FOR MEMBERS OF THE STATEWIDE
102 DEFINED BENEFIT PLAN TO ACQUIRE SERVICE CREDIT FOR PRIOR
103 EMPLOYMENT NOT COVERED BY THE PLAN.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Police Officers' and Firefighters' Pension Reform Commission. Allows members of the statewide defined benefit plan, subject to fire and police pension association board rules, to purchase or roll over service credit:

! For any other type of public employment; or

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.

! Of up to 5 years for private employment upon completion of at least 5 years of continuous service with an employer covered by the statewide defined benefit plan, submittal of specified documentation, verification that the member will not otherwise receive a benefit for that prior employment, and payment or transfer of the cost of the service credit.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** The introductory portion to 31-31-410 (1) and 31-31-410
3 (1) (c) and (1) (d), Colorado Revised Statutes, are amended, and the said
4 31-31-410 is further amended BY THE ADDITION OF A NEW SUBSECTION,
5 to read:

6 **31-31-410. Purchased or rolled over service credit.** (1) A
7 member may purchase service credit OR MAY BE GRANTED SERVICE CREDIT
8 UPON THE QUALIFIED ROLL OVER OF DISTRIBUTIONS FROM AN ELIGIBLE
9 PLAN, for OTHER public safety employment as such employment is defined by rules
10 adopted by the board within the United States not covered by the plan, AS MAY BE
11 ALLOWED UNDER RULES ADOPTED BY THE BOARD, subject to all of the following
12 conditions:

13 (c) The member verifies that the member will not receive a benefit from any
14 retirement plan covering such employment and that the service credit to be purchased
15 GRANTED has not vested with that plan, except to the extent otherwise required by
16 federal law.

17 (d) The member pays OR TRANSFERS to the fire and police pension
18 association, at the time and in the manner prescribed by the board, the cost of the
19 service credit, purchased such cost to be calculated by the board on an actuarially
20 equivalent basis.

21 (2.5) A MEMBER MAY PURCHASE UP TO FIVE YEARS OF SERVICE
22 CREDIT, OR MAY BE GRANTED UP TO FIVE YEARS OF SERVICE CREDIT UPON

1 THE QUALIFIED ROLL OVER OF DISTRIBUTIONS FROM AN ELIGIBLE PLAN,
2 FOR EMPLOYMENT WITH ANY PRIVATE EMPLOYER IN THE UNITED STATES,
3 AS MAY BE ALLOWED UNDER RULES ADOPTED BY THE BOARD, SUBJECT TO
4 ALL OF THE FOLLOWING CONDITIONS:

5 (a) THE MEMBER HAS AT LEAST FIVE YEARS OF CONTINUOUS
6 SERVICE CREDIT WITH THE SAME EMPLOYER COVERED BY THE STATEWIDE
7 DEFINED BENEFIT PLAN.

8 (b) THE MEMBER PROVIDES DOCUMENTATION OF THE DATES OF
9 EMPLOYMENT NOT COVERED BY THE PLAN AND A RECORD OF THE SALARY
10 RECEIVED.

11 (c) THE MEMBER VERIFIES THAT THE MEMBER WILL NOT RECEIVE A
12 BENEFIT FROM ANY RETIREMENT PLAN COVERING SUCH EMPLOYMENT AND
13 THAT THE SERVICE CREDIT TO BE GRANTED HAS NOT VESTED WITH THAT
14 PLAN, EXCEPT TO THE EXTENT OTHERWISE REQUIRED BY FEDERAL LAW.

15 (d) THE MEMBER PAYS OR TRANSFERS TO THE FIRE AND POLICE
16 PENSION ASSOCIATION, AT THE TIME AND IN THE MANNER PRESCRIBED BY
17 THE BOARD, THE COST OF THE SERVICE CREDIT, SUCH COST TO BE
18 CALCULATED BY THE BOARD ON AN ACTUARIALLY EQUIVALENT BASIS.

19 **SECTION 2. Effective date.** This act shall take effect January 1, 2003,
20 unless a referendum petition is filed during the ninety-day period after final
21 adjournment of the general assembly that is allowed for submitting a referendum
22 petition pursuant to article V, section 1 (3) of the state constitution. If such a
23 referendum petition is filed against this act or an item, section, or part of this act
24 within such period, then the act, item, section, or part shall take effect on the
25 specified date only if approved by the people.

DRAFT

Bill B

Colorado Legislative Council Staff
NO FISCAL IMPACT

Drafting Number: LLS 02-0085
Prime Rep. Miller
Sponsor(s): Sen. Hanna

Date: October 22, 2001
Bill Status: Police Officers' and Firefighters'
Pension Reform Commission
Fiscal Analyst: Steve Tammeus (303-866-2756)

TITLE: CONCERNING THE AUTHORIZATION FOR MEMBERS OF THE STATEWIDE
DEFINED BENEFIT PLAN TO ACQUIRE SERVICE CREDIT FOR PRIOR
EMPLOYMENT NOT COVERED BY THE PLAN.

Summary of Legislation

This bill allows members of the Statewide Defined Benefit Plan, subject to Fire and Police Pension Association Board rules, to purchase up to five years of service credit or to be granted up to five years of service credit upon the qualified roll over of distributions from a qualified plan, subject to certain conditions. The bill will become effective January 1, 2003, unless a referendum petition is filed.

This bill will not affect state or local government revenue or expenditures. The bill is not anticipated to affect Fire and Police Pension Association administrative expenses or the actuarial soundness of the Statewide Defined Benefit Plan.

Departments Contacted

Fire and Police Pension Association