



**Report to the
Colorado General Assembly**

**Police Officers' and
Firefighters' Pension
Reform Commission**

Prepared by

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Police Officers' and Firefighters' Pension Reform Commission

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To Members of the Seventy-first General Assembly:

Submitted herewith is the final report of the Police Officers' and Firefighters' Pension Reform Commission. This commission was created pursuant to Section 31-31-2001, Colorado Revised Statutes. The purpose of this commission is to study and review the benefit systems of the Fire and Police Pension Association.

At its meeting on October 14, 2016, the Legislative Council reviewed the report of this committee. A motion to forward this report and the bills therein for consideration in the 2017 session was approved.

Sincerely,

/s/ Representative Dickey Lee Hullinghorst
Chairman

Table of Contents

Committee Charge	1
Committee Activities	1
Pension Plan Update.....	1
Volunteer Firefighter Pension Plan Study	2
Summary of Recommendations	3
Bill A — Deferred Compensation Plan Establishment.....	3
Text of Bill A	7
Bill B — Uniform Standard Approval for Statewide Plan Elections	3
Text of Bill B	11
Resource Materials	5

This report is also available on line at:

<https://www.colorado.gov/pacific/cga-legislativecouncil/2016-police-officers-and-firefighters-pension-reform-commission-1>

Committee Charge

Pursuant to Section 31-31-1001, C.R.S., the commission has the responsibility to study and develop proposed legislation relating to funding of police officers' and firefighters' pensions in the state and benefit designs of such pension plans. The Fire and Police Pension Association (FPPA) was established in 1980 and administers two funds: the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund. Assets in these funds are used for a number of pension plans including the Defined Benefit System, the Statewide Death and Disability Plan, and numerous separate "old hire" plans for police officers and firefighters throughout the state of Colorado. Current law directs the commission to study, review, and propose legislation related to these issues including, but not limited to, the following subjects:

- normal retirement age and compulsory retirement;
- payment of benefits prior to normal retirement age;
- service requirements for eligibility;
- rate of accrual of benefits;
- disability benefits;
- survivors' benefits;
- vesting of benefits;
- employee contributions;
- post-retirement increases;
- creation of an administration board;
- creation of a consolidated statewide system;
- distribution of state funds;
- coordination of benefits with other programs; and
- the volunteer firefighter pension system.

Committee Activities

The committee held two meetings during the 2016 interim, and presentations were made by FPPA, the Office of the State Auditor (OSA), and the Colorado Department of Local Affairs (DOLA). The following sections discuss the committee's activities during the 2016 interim.

Pension Plan Update

FPPA update. FPPA informed the commission about the state's involvement in fire and police pension plans, as well as the FPPA's Statewide Death and Disability Plan, and recent activities of the FPPA board of directors. The FPPA presented its annual report and funded status.

Old hire pension plans are the member benefit plans that existed prior to reform legislation effective April 8, 1978. Over 99 percent of enrollees in old hire pension plans are in retired status. State contributions to old hire plans concluded May 31, 2013. The reform legislation of 1978 established the statewide defined benefit plan, also known as the new hire pension plan. This plan is funded by member and employer contributions and is administered by the FPPA.

Committee recommendations. As a result of its discussions, the committee recommends Bill A, which concerns a multi-employer deferred compensation plan document, and Bill B, which creates a uniform voting standard for approving plan modifications.

Volunteer Firefighter Pension Plan Study

As directed by Section 31-31-1002 (5)(a), C.R.S., the commission heard testimony from FPPA, OSA, and DOLA regarding the “[Study of Volunteer Firefighter Pension Plans in Colorado](#)” audit conducted by Duane Morris, LLP and the Pension Trustee Advisors on behalf of OSA.

Presentation by OSA. Andrew Knauer, representing OSA, presented the “Study of Volunteer Firefighter Pension Plans in Colorado.” William Forna, representing the Pension Trustee Advisors, discussed the background and funding of volunteer firefighter plans in Colorado. He noted that the majority of plans in Colorado do not have any unfunded liability and generally follow best practices, but that at least 101 plans are underfunded. He also highlighted the statewide coordination of plans and administrative costs.

John Nixon, representing Duane Morris, LLP, discussed how volunteer pension plans maintain tax qualification. He noted that several plans in Colorado are not meeting tax qualification requirements. He discussed the repercussions of noncompliance and recommended some ways the plans can become tax compliant. In addition, he noted that while the vast majority of plans in Colorado are compliant with the Fair Labor Standards Act, 33 plans may warrant further investigation to determine if they are compliant. Finally, he highlighted the six proposed alternatives to current plan structures as recommended in the study.

Presentation from FPPA. Kevin Lindahl, representing the FPPA, discussed FPPA’s response to the study. He noted that the FPPA appreciated the guidance regarding federal regulations in the study. He stated that the FPPA Board of Directors is interested in continuing to provide service to volunteer firefighter plans and welcomes more plans to affiliate with the FPPA. He noted that the FPPA will continue to work with non-FPPA affiliated volunteer firefighter plans to make sure the plans are in compliance with all laws and regulations. The FPPA plans to work over the next nine months with the Colorado Municipal League, the Special District Association, DOLA, Colorado Counties Inc., and other groups to discuss how to move forward with volunteer firefighter plans in Colorado.

Presentation from DOLA. Bruce Eisenhauer, representing DOLA, discussed DOLA’s involvement with volunteer firefighter plans. He noted that DOLA simply provides certain calculations for the level of funding for volunteer firefighter plans.

Public comment. A representative of the Louisville Fire Protection District discussed the Louisville volunteer firefighter pension plan.

Summary of Recommendations

As a result of the committee's activities, the committee recommended two bills to the Legislative Council for consideration in the 2017 session. At its meeting on October 14, 2016, the Legislative Council approved two recommended bills for introduction. The approved bills are described below.

Bill A — Deferred Compensation Plan Establishment

Bill A allows the board of directors of the FPPA to develop, maintain, and amend a multi-employer deferred compensation plan document. Under current law, the FPPA maintains a master deferred compensation plan document for use by FPPA member employers when establishing these supplemental plans for their employees. Bill A also allows the FPPA to provide a master document that will assist members in establishing a multi-employer plan. Multi-employer plans are allowed under federal Internal Revenue Service rules. This bill aligns Colorado statutes with federal law and current practice, permitting the FPPA to provide technical assistance in developing and maintaining these types of plans.

Bill B — Uniform Approval Standard for Statewide Plan Elections

Bill B establishes a uniform standard for approving modifications to the statewide defined benefits plan administered by the FPPA. Employers who participate in plans administered by FPPA, and who wish to modify their status in the plan, must conduct an election and obtain the approval of 65 percent of those employees who vote in that election.

Resource Materials

Meeting summaries are prepared for each meeting of the committee and contain all handouts provided to the committee. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver (303-866-2055). The listing below contains the dates of committee meetings and the topics discussed at those meetings. Meeting summaries are also available on our website at:

<https://www.colorado.gov/pacific/cga-legislativecouncil/interim-committees>

Meeting Date and Topics Discussed

September 27, 2016

- ◆ Opening Remarks
- ◆ Fire and Police Pension Association Presentation
- ◆ Public Comment
- ◆ Committee Discussion and Approval of Final Bill Drafts

November 9, 2016

- ◆ Opening Remarks
- ◆ Presentation by the Office of the State Auditor
- ◆ Presentation from the Fire and Police Pension Association
- ◆ Presentation from the Colorado Department of Local Affairs
- ◆ Public Comment

