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0464 Police Officers' and Firefighters' Pension Reform Commission



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

**Report to the
COLORADO
GENERAL ASSEMBLY**

**Colorado Legislative Council
Research Publication No. 464
November 1999**

RECOMMENDATIONS FOR 2000

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

**Report to the
Colorado General Assembly**

**Research Publication No. 464
November 1999**

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November 1999

To Members of the Sixty-second 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, 1999, the Legislative Council reviewed the report of this committee. A motion to forward this report and the bills therein for consideration in the 2000 session was approved.

Respectfully submitted,

/s/ Senator Ray Powers
Chairman
Legislative Council

RP/GJ/pw

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POLICE OFFICERS' AND FIREFIGHTERS' PENSION REFORM COMMISSION

Members of the Commission

**Representative Steve Johnson,
Chairman
Senator MaryAnne Tebedo,
Vice Chairman
Senator John Andrews
Senator Ken Arnold
Senator Mike Feeley
Senator Peggy Reeves**

**Representative Kay Alexander
Representative Ken Kester
Representative Frana Mace
Representative Carl Miller
Representative Tom Plant
Representative Ann Ragsdale
Representative Glenn Scott
Representative Matt Smith
Representative Bill Webster**

Legislative Council Staff

**Geoffrey Johnson
Research Associate**

**Steve Tammeus
Senior Fiscal Analyst**

Office of Legislative Legal Services

**Christy Chase
Staff Attorney**

**Gregg Fraser
Staff Attorney**

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

At its meeting on September 27, 1999, the Commission received an historical overview of state involvement in fire and police pension plans, a review of the 1999 Fire and Police Pension Association (FPPA) annual financial report, and detail about 1998 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 five bills for consideration in the 2000 legislative session.

Bill A — Concerning the Creation of Options to Increase Contribution Rates Under the Statewide Money Purchase Plan for Police Officers and Firefighters

Bill A creates options for increasing contribution rates for the Statewide Money Purchase Plan above the current statutory rates of eight percent from the employer and eight percent from employees. The Statewide Money Purchase Plan is a defined contribution plan with participant-directed investments. For mandatory contributions, the bill would authorize employers to pass a local ordinance or resolution increasing the contribution rate for employers, employees, or both, subject to approval by 65 percent of the employer's active members of the plan. Also, the bill would allow the Plan to accept voluntary contributions from members and employers by payroll deduction at any time, as long as such contributions do not exceed the limits on annual additions under the Internal Revenue Code.

Bill A will not affect state expenditures. The Statewide Money Purchase Plan is funded entirely by employer and employee contributions to the plan. A local government fiscal impact will occur if local government employers or employees choose to increase contributions to the plan.

Bill B — Concerning the Fiduciary Duties Associated with the Investment of the Assets of the Fire and Police Members' Money Purchase Plan Benefit Fund

This bill clarifies the standard of care applicable to the FPPA Board with respect to the administration, investment, and management of the Fire and Police Members' Money Purchase Plan Benefit Fund. The bill recognizes that the Board is governed by the Uniform Prudent Investor Act only with respect to assets allocated to the Fire and Police Members' Benefit Fund, which is an investment alternative for the Fire and Police Members' Money Purchase Plan Benefit Fund. The bill provides that the Board is not liable for losses caused by the participant's exercise of control over the assets in the members' account. The bill specifies that the FPPA Board is the trustee of the members' money purchase plan benefit fund subject to the members' allocation of moneys in their accounts to the investment alternatives offered by the Board. Bill B also continues the duties of the Board with respect to the selection and monitoring of investment alternatives and clarifies that a member is not deemed a fiduciary by reason of exercising control over assets in the member's account.

Bill B is assessed as having no fiscal impact.

Bill C — Concerning the Elimination of Certain Transfers to the Disability and Death Benefits Account of the Fire and Police Members' Benefit Fund

Bill C eliminates the possibility of reducing the separate retirement accounts of members of the Statewide Defined Benefit Plan in order to make transfers to the Death and Disability Account of the Statewide Death and Disability Plan. Prior to January 1997, the Statewide Death and Disability Plan received state assistance, subject to annual appropriation. In the event that insufficient funds were appropriated to keep the plan actuarially sound, the law allowed for transfers from the Statewide Defined Benefit Plan to cover any shortfall. The potential for such transfers is no longer needed because the Statewide Death and Disability Plan is now fully funded. In addition, the future funding of the Statewide Death and Disability Plan is assured by the requirement that employers and members pay a percentage of salary to fund the Plan.

Bill C is assessed as having no fiscal impact.

Bill D — Concerning Interest Charges for Delinquent Contributions to the Fire and Police Pension Association Statewide Defined Benefit Plan

Bill D gives the FPPA Board some flexibility in assessing interest against employers whose contribution payments for new accounts are delinquent. In the past there have been instances in which small departments have mistakenly paid into federal social security instead of the FPPA. These plans may have taken every step to comply with the FPPA requirements, but have had to wait a considerable amount of time to get their money back

from social security. This bill gives the Board the flexibility to reduce or waive statutory interest payments in hardship cases such as these, subject to rules that would be promulgated by the Board.

Bill D is assessed as having no fiscal impact.

Bill E — Concerning the Irrevocability of an Election by a Member of the Fire and Police Pension Association to Receive a Disability Benefit Option in Lieu of a Normal Annual Disability Benefit

Bill E specifies that a decision by a member of the Fire and Police Pension Association to receive an annual total disability benefit option in lieu of the normal annual disability benefit is irrevocable. This bill makes a technical amendment to statutes concerning the statewide Death and Disability Plan. Senate Bill 99-32 relocated sections of law relating to the FPPA Defined Benefit Plan to statutes addressing the Death and Disability Plan. These sections listed the options available for receiving a pension payment. The enacted version of the bill inadvertently omitted a cross-reference concerning the irrevocability of electing a total disability payment option. SB 99-32 was not intended to change the law or eliminate the irrevocability provision. This bill will restore the omitted cross-reference.

Bill E is assessed as having no fiscal impact.

RESOURCE MATERIALS

The resource materials listed below were provided to the committee 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. 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/1999/99interim.

1. *Staff Summary of Meeting, September 27, 1999.*
2. *Fire and Police Pension Association of Colorado Annual Update, prepared for the State of Colorado Pension Reform Commission, June 1, 1999.*

Bill A

BY REPRESENTATIVE Scott;
also SENATOR Andrews.

A BILL FOR AN ACT

CONCERNING THE CREATION OF OPTIONS TO INCREASE CONTRIBUTION RATES
UNDER THE STATEWIDE MONEY PURCHASE PLAN FOR POLICE OFFICERS
AND FIREFIGHTERS.

Bill Summary

"Police & Fire Pension Contrib Rates"

(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.

Authorizes employer and employee contribution rates for the police officers' and firefighters' statewide money purchase plan to be increased above the existing statutory minimum contribution rates. Requires the employer to request the change and a specified percentage of the employer's active members of the plan to approve the change. Allows a member and employer to make voluntary contributions to the plan by payroll deduction. Provides that any increased contributions resulting from a higher contribution rate shall not cause a member to exceed the limit on annual additions under the internal revenue code.

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

SECTION 1. 31-31-502 (4) and (5), Colorado Revised Statutes, are amended to read:

31-31-502. Statewide money purchase plan - creation - management. (4) (a) EXCEPT AS PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (4), upon the effective date of an employer's withdrawal from the

statewide defined benefit plan and election to participate in the statewide money purchase plan, each member covered by the statewide money purchase plan shall pay into the fund eight percent of salary paid. The payment shall be made by the employer by deduction from the salary paid such member. EXCEPT AS PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (4), for each such member, the employer shall pay into the fund eight percent of the salary paid to such member. All such payments shall be made by one voucher for the aggregate amount and shall be made no later than the tenth day after the end of each pay period. All such payments shall be credited to the fund. Late payments are subject to the penalty set forth in section 31-31-402 (4).

(b) (I) UPON THE REQUEST OF AN EMPLOYER, THE BOARD SHALL PERMIT A HIGHER MANDATORY EMPLOYER CONTRIBUTION RATE, MANDATORY EMPLOYEE CONTRIBUTION RATE, OR BOTH, THAN IS SET FORTH IN PARAGRAPH (a) OF THIS SUBSECTION (4) IF THE BOARD DETERMINES THAT:

(A) A LOCAL RESOLUTION OR ORDINANCE SETTING FORTH THE HIGHER MANDATORY CONTRIBUTION RATE OR RATES WAS ENACTED AND IS IN EFFECT; AND

(B) AN EMPLOYEE ELECTION WAS CONDUCTED AND THE HIGHER MANDATORY CONTRIBUTION RATE OR RATES WAS APPROVED BY SIXTY-FIVE PERCENT OF THE EMPLOYER'S ACTIVE MEMBERS OF THE PLAN.

(II) ANY ACTIVE MEMBER AND ANY EMPLOYER MAY MAKE VOLUNTARY CONTRIBUTIONS TO THE PLAN BY PAYROLL DEDUCTION. VOLUNTARY MEMBER CONTRIBUTIONS ARE NOT SUBJECT TO THE EMPLOYER PICKUP PROVISIONS OF SECTION 414 (h) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS AMENDED.

(III) IN NO EVENT SHALL INCREASED CONTRIBUTIONS RESULTING FROM A HIGHER CONTRIBUTION RATE OR RATES CAUSE A MEMBER TO EXCEED THE LIMIT ON ANNUAL ADDITIONS UNDER THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS AMENDED, AS APPLICABLE TO GOVERNMENT PLANS.

(5) Except with respect to amendments necessary to comply with state and federal law, the board may amend the statewide money purchase plan document created pursuant to subsection (1) of this section only upon the approval of at least sixty-five percent of the active members of the plan and more than fifty percent of the employers having active members covered by the plan, each employer to be assigned one vote; except that employers having both active police and fire members in the plan shall be assigned two votes. No amendment, however, may increase the employer contribution rate above eight percent of the salary paid to each participating member.

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill A

Colorado Legislative Council Staff

LOCAL

CONDITIONAL FISCAL IMPACT

No State General Fund Impact

Drafting Number: LLS 00-0170
Prime Sponsor(s): Rep. Scott
Sen. Andrews

Date: October 26, 1999
Bill Status: POPPC
Fiscal Analyst: Steve Tammeus (866-2756)

TITLE: CONCERNING THE CREATION OF OPTIONS TO INCREASE CONTRIBUTION RATES UNDER THE STATEWIDE MONEY PURCHASE PLAN FOR POLICE OFFICERS AND FIREFIGHTERS.

Table with 3 columns: Fiscal Impact Summary, FY 2000/2001, FY 2001/2002. Rows include State Revenues, State Expenditures, FTE Position Change, Other State Impact, Effective Date, and Local Government Impact.

Summary of Legislation

Under current law, when a local fire or police protection employer withdraws from the Statewide Defined Benefit plan and elects to participate in the Statewide Money Purchase Plan, each covered member is required to pay eight percent of salary into the fund by salary deduction. The employer is also required to pay eight percent of the salary paid to the employee into the fund.

This bill allows the board of the FPPA, upon request of the employer, to permit a higher mandatory employee or employer contribution rate, or both subject to a local resolution and employee approval. The bill also allows a member and employer to make voluntary contributions to the plan by payroll deduction. The bill prohibits the increased contributions from exceeding federal limits on annual additions per the "Internal Revenue Code of 1986".

DRAFT

Bill A

State Revenue

Under current law, when a local fire or police protection employer withdraws from the Statewide Defined Benefit plan and elects to participate in the Statewide Money Purchase Plan, each covered member is required to pay eight percent of salary into the fund by salary deduction. The amount of the mandatory contribution is made on a pretax basis which defers or reduces the amount of the members' state income tax obligations. The bill also allows a member and employer to make voluntary contributions to the plan by payroll deduction. The amount of the voluntary contribution is made on an after-tax basis which does not affect the members' income tax obligations.

This bill allows the board of the FPPA, upon request of the employer, to permit a higher mandatory employee rate, subject to a local resolution and employee approval. The bill prohibits the increased contributions from exceeding federal limits on annual additions per the "Internal Revenue Code of 1986". Any such increase within the federal limits may further decrease members' state income tax obligations which may reduce state General Fund revenues.

There were a total of 61 active members of the Statewide Money Purchase Plan in 1998. As of October 1999, the average salaries of those members was \$36,700 for police and \$40,417 for fire. Based upon this information, this fiscal note assumes any resulting increase in the mandatory contribution rates may reduce General Fund revenue by an insignificant amount.

State Expenditures

This bill will not affect state expenditures. The Statewide Money Purchase Plan, a defined contribution plan, is funded entirely by employer and employee contributions to the plan.

Local Government Impact

This bill allows a local fire or police protection employer to elect to increase the rates of the employer contributions or the employee contributions, or both, to the plan. The bill also allows the employer and the employee to elect to make voluntary contributions to the plan. These provisions may increase employer expenditures, subject to approval of the employer and employee.

State Appropriations

This bill will require no new state appropriations.

Departments Contacted

Fire and Police Pension Association

Bill B

BY REPRESENTATIVE Scott;
also SENATOR Andrews.

A BILL FOR AN ACT

CONCERNING THE FIDUCIARY DUTIES ASSOCIATED WITH THE INVESTMENT OF
THE ASSETS OF THE FIRE AND POLICE MEMBERS' MONEY PURCHASE
PLAN BENEFIT FUND.

Bill Summary

"FPPA Money Purch Plan Investment Duties"

(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.

Specifies that the board of the fire and police pension association is the trustee of the fire and police members' money purchase plan benefit fund, subject to the members' allocation of moneys in their accounts to the investment alternatives offered by the board. Provides that a member shall not be deemed to be a fiduciary by reason of exercising control over assets in the member's account. Provides that the board shall not be liable for losses resulting from members exercising control over assets in their accounts.

Repeals the existing unrestricted authority for the board to invest the assets of the fire and police members' money purchase plan benefit fund. Specifies that the investment and management of assets allocated to the fire and police members' benefit fund, rather than the fire and police members' money purchase plan benefit fund, are subject to the "Uniform Prudent Investor Act".

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

SECTION 1. 31-31-703 (2), Colorado Revised Statutes, is amended to read:

31-31-703. Money purchase plan benefit fund - creation - management. (2) The board shall be the trustee of the FIRE AND POLICE MEMBERS' MONEY PURCHASE PLAN BENEFIT fund and, subject to the members' allocation of moneys in their accounts to the alternatives offered by the board. ~~shall have full and unrestricted discretionary power and authority to invest and reinvest such portions of the fund as in its judgment may not be immediately required for the payment of refunds or benefits.~~ A MEMBER WHO EXERCISES CONTROL OVER THE PLAN ASSETS IN THE MEMBER'S ACCOUNT SHALL NOT BE DEEMED TO BE A FIDUCIARY BY REASON OF SUCH EXERCISE OF CONTROL, AND THE BOARD SHALL NOT BE LIABLE FOR ANY LOSS THAT RESULTS FROM SUCH EXERCISE OF CONTROL. In exercising its discretionary authority with respect to the investment and management of the fund assets THAT ARE ALLOCATED TO THE FIRE AND POLICE MEMBERS' BENEFIT FUND CREATED PURSUANT TO SECTION 31-31-301 (1) (a), the board shall be governed by the standard and other provisions for trustees set forth in the "Uniform Prudent Investor Act", article 1.1 of title 15, C.R.S.

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill B

Colorado Legislative Council Staff
NO FISCAL IMPACT

Drafting Number: LLS 00-0171
Prime Sponsor(s): Rep. Scott
Sen. Andrews

Date: October 25, 1999
Bill Status: POFPRC
Fiscal Analyst: Steve Tammeus (866-2756)

TITLE: CONCERNING THE FIDUCIARY DUTIES ASSOCIATED WITH THE INVESTMENT OF THE ASSETS OF THE FIRE AND POLICE MEMBERS' MONEY PURCHASE PLAN BENEFIT FUND.

Summary of Assessment

This bill specifies the Board of the Fire and Police Pension Association as the trustee of the fire and police members' Money Purchase Plan Benefit Fund. The bill provides that a member shall not be deemed a fiduciary by reason of exercising control over assets in the member's account, and that the board shall not be liable for losses resulting from members exercising such control. The bill repeals the board's unrestricted discretionary authority to invest funds not needed for the payment of refunds or benefits. The bill specifies that fund assets allocated to the Fire and Police Members' Benefit Fund shall be governed as set forth in the "Uniform Prudent Investor Act". The bill will become effective 90 days after adjournment unless a referendum petition is filed.

This bill will not affect the actuarial soundness of the plan or employer contributions to the plan. The bill will not affect state or local government revenue or expenditures. Therefore, the bill is assessed as having no fiscal impact.

Departments Contacted

Fire and Police Pension Association

Bill C

BY REPRESENTATIVE Plant;
also SENATOR Reeves.

A BILL FOR AN ACT

CONCERNING THE ELIMINATION OF CERTAIN TRANSFERS TO THE DISABILITY
AND DEATH BENEFITS ACCOUNT OF THE FIRE AND POLICE MEMBERS'
BENEFIT FUND.

Bill Summary

"Reductions Of FPPA Accounts"

(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.

Eliminates the possibility of reductions of a fire and police pension association statewide defined benefit plan member's separate retirement account to make transfers to the disability and death benefits account of the fire and police members' benefit fund. Eliminates transfers, under specified circumstances, from the stabilization reserve account to the death and disability benefits account.

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

SECTION 1. 31-31-405 (4), Colorado Revised Statutes, is amended to read:

31-31-405. Separate retirement account - creation - allocation.

(4) Any amount allocated to a member's separate retirement account shall be subject to reduction prior to the time a member has terminated service in the event that additional amounts must be transferred to the actuarial account ~~or the disability and death benefits account~~ as set forth in section 31-31-301 (3) (b)

and (3) (c). Reductions in a member's separate retirement account pursuant to this subsection (4) shall be made on a pro rata basis in the proportion that the balance in a member's separate retirement account bears to the total balance of all members' separate retirement accounts.

SECTION 2. 31-31-301 (3) (d), Colorado Revised Statutes, is repealed as follows:

~~31-31-301. Fund - creation. (3) (d) In each year after 1993, if the board determines that, based upon the annual actuarial study, moneys in the disability and death benefits account are inadequate to fund the benefit liabilities of that account with respect to those members covered by the the statewide defined benefit plan, then such amount as may be necessary to fund the benefit liabilities for these members shall be transferred from the stabilization reserve account to the disability and death benefits account.~~

SECTION 3. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill C

Colorado Legislative Council Staff
NO FISCAL IMPACT

Drafting Number: LLS 00-0168

Date: October 26, 1999

Prime Sponsor(s): Rep. Plant

Bill Status: POFPRC

Sen. Reeves

Fiscal Analyst: Steve Tammeus (866-2756)

TITLE: CONCERNING THE ELIMINATION OF CERTAIN TRANSFERS TO THE DISABILITY AND DEATH BENEFITS ACCOUNT OF THE FIRE AND POLICE MEMBERS' BENEFIT FUND.

Summary of Assessment

This bill eliminates the possibility of reducing a Fire and Police Pension Association member's Statewide Defined Benefit Plan separate retirement account to make transfers to the death and disability benefits account of the members' Benefit Fund. The bill also eliminates certain transfers from the stabilization reserve account to the death and disability benefits account. The bill will become effective 90 days after adjournment unless a referendum petition is filed.

Prior to January 1997, the Statewide Death and Disability Plans received state assistance, subject to annual appropriation. If the state had not appropriated enough to keep the plan actuarially sound, the law allowed for transfers from the Statewide Defined Benefit Plan to cover the shortfall. Since January 1997, the Statewide Death and Disability Plan has been funded by "new hire" contributions from salary, and the state no longer contributes to the plan. The plan is now actuarially sound, and the need for these transfers has been eliminated.

This bill will not affect employer or employee contributions to the plan or the actuarial soundness of the plan. The bill will not affect state or local government revenue or expenditures. Therefore, the bill is assessed as having no fiscal impact.

Departments Contacted

Fire and Police Pension Association

Bill D

BY REPRESENTATIVE Plant;
also SENATOR Reeves.

A BILL FOR AN ACT

CONCERNING INTEREST CHARGES FOR DELINQUENT CONTRIBUTIONS TO THE
FIRE AND POLICE PENSION ASSOCIATION STATEWIDE DEFINED BENEFIT
PLAN.

Bill Summary

"Fire & Police Benefit Fund Late Penalty"

(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. Permits the board of directors of the fire and police pension association to waive the interest charge of one-half of one percent per month against any delinquent payments owed to the fire and police members' benefit fund under the statewide defined benefit plan for new accounts in hardship cases, subject to rules adopted by the board.

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

SECTION 1. 31-31-402 (4), Colorado Revised Statutes, is amended to read:

31-31-402. Employer and member contributions. (4) The payments required by this section are subject to penalties if not submitted when due. Payments are due no later than ten days following the date of payment of salary to the member, unless the salary is paid more than once monthly, in

which event such payments are due no later than the tenth day of the month following the month the salary is paid to the member. An interest charge of one-half of one percent per month shall be levied against any unpaid amount and added to the employer payments required pursuant to this section; EXCEPT THAT THE BOARD MAY WAIVE THE INTEREST CHARGE FOR NEW ACCOUNTS IN HARDSHIP CASES, SUBJECT TO RULES PROMULGATED BY THE BOARD.

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill D

Colorado Legislative Council Staff
NO FISCAL IMPACT

Drafting Number: LLS 00-0169
Prime Sponsor(s): Rep. Plant
Sen. Reeves

Date: October 26, 1999
Bill Status: POFPRC
Fiscal Analyst: Steve Tammus (866-2756)

TITLE: CONCERNING INTEREST CHARGES FOR DELINQUENT CONTRIBUTIONS TO THE FIRE AND POLICE PENSION ASSOCIATION STATEWIDE DEFINED BENEFIT PLAN

Summary of Assessment

This bill permits the board of directors of the Fire and Police Pension Association (FPPA) to promulgate rules to waive the interest charge against any delinquent payments owed to the Benefit Fund by new accounts in hardship cases. The bill will become effective 90 days after adjournment unless a referendum petition is filed.

The provisions of this bill allow the FPPA board discretion to consider hardships that arise when an employer, typically a small volunteer department starting to pay a small number of employees for the first time, mistakenly pays into the federal Social Security System rather than the FPPA. The department's budget may be so limited the department may be forced to recover the payment from Social Security in order to pay the FPPA. In those instances under current law, the interest is mandatory, accrues during the recovery period, and creates a hardship for the department.

The FPPA indicates this situation arises approximately once per year. This bill will not affect employer contributions to the plan and will not affect the actuarial soundness of the plan. The bill will not affect state or local government revenue or expenditures. Therefore, the bill is assessed as having no fiscal impact.

Departments Contacted

Fire and Police Pension Association

Bill E

BY REPRESENTATIVE Mace;
also SENATOR Tebedo

A BILL FOR AN ACT

CONCERNING THE IRREVOCABILITY OF AN ELECTION BY A MEMBER OF THE FIRE
AND POLICE PENSION ASSOCIATION TO RECEIVE A DISABILITY BENEFIT
OPTION IN LIEU OF A NORMAL ANNUAL DISABILITY BENEFIT.

Bill Summary

"FPPA Disability Benefit Option"

(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.

Specifies that an election by a member of the fire and police pension association to receive an annual total disability benefit option in lieu of the normal annual disability benefit shall be irrevocable.

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

SECTION 1. 31-31-803 (9), Colorado Revised Statutes, is amended to read:

31-31-803. Retirement for disability. (9) After an election has been made of any of the options provided in PARAGRAPH (b) OF SUBSECTION (1) OR paragraph (a) of subsection (8) of this section, the election shall be irrevocable upon the member cashing the first disability benefit check or sixty days from the date of issuance of the check, whichever occurs first. The member's beneficiary designation shall also be irrevocable at such time unless the member's marital status changes as a result of dissolution of marriage, death of

a beneficiary, marriage, or remarriage or in the event of the death of a beneficiary. In such case, the member may designate a new beneficiary; except that, in cases of dissolution of marriage, this subsection (9) shall only apply to any final dissolution of marriage decree of a member entered on or after July 1, 1990.

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill E

Colorado Legislative Council Staff
NO FISCAL IMPACT

Drafting Number: LLS 00-0186

Date: October 25, 1999

Prime Sponsor(s): Sen. Tebedo
Rep. Mace

Bill Status: POFPRC

Fiscal Analyst: Steve Tammeus (866-2756)

TITLE: CONCERNING THE IRREVOCABILITY OF AN ELECTION BY A MEMBER OF THE FIRE AND POLICE PENSION ASSOCIATION TO RECEIVE A DISABILITY BENEFIT OPTION IN LIEU OF A NORMAL ANNUAL DISABILITY BENEFIT.

Summary of Assessment

This bill specifies that an election by a member of the Fire and Police Pension Association to receive a disability benefit plan option in lieu of the normal annual disability benefit shall be irrevocable. The bill will become effective 90 days after adjournment unless a referendum petition is filed.

This bill will not affect employer contributions to the plan, plan benefits, or the actuarial soundness of the plan. The bill will not affect state or local government revenue or expenditures. Therefore, the bill is assessed as having no fiscal impact.

Departments Contacted

Fire and Police Pension Association