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0509 Police Officers' and Firefighters' Pension Reform Commission

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Police Officers'
and Firefighters' Pension
Reform Commission

Report to the
COLORADO
GENERAL ASSEMBLY

Colorado Legislative Council
Research Publication No. 509
November 2002

RECOMMENDATIONS FOR 2003

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

**Report to the
Colorado General Assembly**

**Research Publication No. 509
December 2002**

COLORADO GENERAL ASSEMBLY

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December 2002

To Members of the Sixty-third General Assembly:

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

At its meeting on October 15, 2002, the Legislative Council reviewed the report of this commission. A motion to forward this report and the bills therein for consideration in the 2003 session was approved.

Respectfully submitted,

/s/ Representative Doug Dean
Chairman
Legislative Council

DD/LT/dg

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POLICE OFFICERS' AND FIREFIGHTERS' PENSION REFORM COMMISSION

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Senator Ken Arnold
Senator Deanna Hanna
Senator Alice Nichol**

**Representative Jim Snook
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**Representative Bill Cadman
Representative Rob Fairbank
Representative Tim Fritz
Representative Frana Mace
Representative Carl Miller
Representative Tom Plant
Representative Ann Ragsdale
Representative Pam Rhodes
Representative Joe Stengel**

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Principal Analyst II**

**Todd Herreid
Senior Fiscal Analyst**

Office of Legislative Legal Services

**Nicole Hoffman
Staff Attorney**

**Ed DeCecco
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

The commission held one meeting during the 2002 Interim. At the meeting the commission received an historical overview of state involvement in fire and police pension plans, a review of the 2002 Fire and Police Pension Association (FPPA) annual financial report, and detail about 2001 FPPA investment performance. The pension fund currently controls in excess of \$2.2 billion in assets. Testimony was provided by representatives of the Fire and Police Pension Association and the Office of State Auditor regarding the need for an independent audit of the FPPA. No committee action was taken on this issue. The commission also considered legislation requested by the Board of Directors of the FPPA.

Commission Recommendations

As a result of commission discussion and deliberation, the commission recommends three bills for consideration in the 2003 legislative session.

Bill A — Membership in Plans Administered by the Fire and Police Pension Association. Bill A expands the definition of "member" in the statutory provisions governing police officers and firefighters pension plans to include part-time fire and police officers beginning July 1, 2003. The bill exempts members who serve less than 1,600 hours from the Statewide Defined Benefit Plan and provides that they will be covered by the Statewide Money Purchase Plan. The bill provides that employees who are directly involved with law enforcement or fire protection may affiliate with the FPPA either as to coverage under the statewide Death and Disability Plan or as to retirement under the Statewide Defined Benefit Plan or they may choose to be covered by both plans. Because there is no ability to offset benefits, any member whose employer has affiliated with the Public Employees' Retirement Association is excluded, under Bill A, from eligibility for disability and survivor benefits.

Bill B — Statewide Health Care Defined Benefit Plan for Police Officers and Firefighters. Bill B authorizes the Board of Directors of the FPPA to create a defined benefit plan to provide assistance in paying health care costs after retirement. The Board of Directors is authorized to conduct an election of all eligible members, who are all members who participate in the statewide retirement plans administered by the board, to determine if such members want to participate in the plan. The bill requires all eligible members to participate in the plan if 65 percent of all members vote in favor of participating in the plan. Contributions to the plan are the responsibility of the eligible members, unless an eligible member's employer chooses to pay all or a portion of his or her contribution.

Bill C — Benefit Plan Alternatives within the Fire and Police Pension Association for Members of Money Purchase Plans. Bill C allows an employer of police officers and firefighters that has established a local money purchase plan, an alternative exempt local money purchase plan, or that participates in the Statewide Money Purchase plan to apply to the Board of Directors of the Fire and Police Pension Association to cover the existing members of the money purchase plan under either a newly created Statewide Hybrid Plan or the Statewide Defined Benefit plan.

The bill specifies that the employer's resolution applying for coverage under the Statewide Hybrid Plan or the Statewide Defined Benefit Plan must be adopted by the governing body of the employer. Any application for coverage under the Statewide Hybrid Plan or the Statewide Defined Benefit Plan must be approved by at least 65 percent of all active members employed by the employer who are participating in the money purchase plan at the time of application. The bill directs the Board of Directors of the FPPA to promulgate rules relating to procedures for obtaining member approval, for granting an employer's application for participation in the Statewide Hybrid Plan or Statewide Defined Benefit Plan, and for the submission of information to the board by the employer.

Bill C creates the fire and police members' Statewide Hybrid Plan Benefit Fund. The bill specifies that each member covered by the Statewide Hybrid plan must pay eight percent of salary into the fund and that for each member the employer must pay eight percent of salary paid to each member.

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 meeting summary and attachments are available at the Division of Archives, 1313 Sherman Street, Denver, (303) 866-2055. For a limited 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/2002/02interim.

Meeting Summary

Topics Discussed

September 18, 2002

Investment performance of the FPPA, audit of FPPA by Office of State Auditor, review and final action on proposed legislation.

Memoranda and Reports

Fire and Police Pension Association of Colorado Annual Update, Fire and Police Pension Association of Colorado, September 2002.

Bill A

SENATE SPONSORSHIP

Phillips

HOUSE SPONSORSHIP

Ragsdale and Hanna

A BILL FOR AN ACT

CONCERNING MEMBERSHIP IN PLANS ADMINISTERED BY THE FIRE AND
POLICE PENSION ASSOCIATION.

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.

Expands the definition of "member" in the statutory provisions governing police officers' and firefighters' pension plans to include a person who is an employee of a municipality, fire protection district, fire authority, or county improvement district hired on or after July 1, 2003, regardless of the number of hours served in a calendar year.

Exempts members who serve less than 1,600 hours from the statewide defined benefit plan and provides that such members shall be covered by the statewide money purchase plan.

Permits any county that covers salaried employees whose duties are directly involved with the provision of law enforcement or fire protection, as certified by the county under the federal "Social Security Act", to affiliate with the association either as to coverage under the statewide death and disability plan or as to retirement under the statewide defined benefit plan, or as to both.

Excludes from eligibility for disability and survivor benefits any

member whose employer has affiliated with the public employees' retirement association for the purpose of administering retirement benefits.

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

SECTION 1. 31-31-102 (4), Colorado Revised Statutes, is amended to read:

31-31-102. Definitions. As used in this article, unless the context otherwise requires:

(4) "Member" means an active employee who is a full-time salaried employee of a municipality, fire protection district, FIRE AUTHORITY, or county improvement district normally serving at least one thousand six hundred hours in any calendar year, AND A PERSON WHO IS AN EMPLOYEE OF A MUNICIPALITY, FIRE PROTECTION DISTRICT, FIRE AUTHORITY, OR COUNTY IMPROVEMENT DISTRICT HIRED ON OR AFTER JULY 1, 2003, REGARDLESS OF THE NUMBER OF HOURS NORMALLY SERVED IN A CALENDAR YEAR, and IN EITHER CASE, whose duties are directly involved with the provision of police or fire protection, as certified by the member's employer. The term does not include clerical or other personnel whose services are auxiliary to police or fire protection, or any volunteer firefighter, as such term is defined in section 31-30-1102 (9). For the purpose of eligibility for disability or survivor benefits, "member" includes

any employee on an authorized leave of absence.

SECTION 2. 31-31-401, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

31-31-401. Applicability of plan. (5) A MEMBER NORMALLY SERVING LESS THAN ONE THOUSAND SIX HUNDRED HOURS IN ANY CALENDAR YEAR SHALL BE EXEMPTED FROM THE STATEWIDE DEFINED BENEFIT PLAN AND SHALL BE COVERED UNDER THE STATEWIDE MONEY PURCHASE PLAN.

SECTION 3. 31-31-704 (1), Colorado Revised Statutes, is amended, and the said 31-31-704 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

31-31-704. Optional affiliation by social security employers.

(1) Notwithstanding the exemption provided in section 31-31-401 (1) (a), any employer that covers members under the federal "Social Security Act", as amended, OR ANY COUNTY THAT COVERS SALARIED EMPLOYEES WHOSE DUTIES ARE DIRECTLY INVOLVED WITH THE PROVISION OF LAW ENFORCEMENT OR FIRE PROTECTION, AS CERTIFIED BY THE COUNTY UNDER THE FEDERAL "SOCIAL SECURITY ACT", AS AMENDED, may elect affiliation with the association, either as to coverage under the statewide death and disability plan or as to retirement under the statewide defined benefit plan, or as to both, by filing with the board a resolution of the governing body

of such employer, but any such affiliation shall either exclude past service credit or include past service credit funded by contribution levels established by the board pursuant to subsection (6) of this section. The employer may make the election to exclude past service credit, but only if such election does not impair any vested rights of members.

(1.5) FOR PURPOSES OF ADMINISTERING TO COUNTIES AFFILIATED PURSUANT TO THIS SECTION, ANY COUNTY ELECTING TO AFFILIATE SHALL BE INCLUDED IN THE DEFINITION OF "EMPLOYER" AND ANY COVERED EMPLOYEE OF SUCH COUNTY SHALL BE INCLUDED IN THE DEFINITION OF "MEMBER".

SECTION 4. 31-31-802 (1), Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW PARAGRAPH to read:

31-31-802. Coverage. (1) Except as provided in section 31-31-803, any member hired before, on, or after April 7, 1978, is eligible for the benefits provided by this part 8, with the exception of the following:

(d) ANY MEMBER WHOSE EMPLOYER HAS AFFILIATED WITH THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION FOR THE PURPOSE OF ADMINISTERING RETIREMENT BENEFITS.

SECTION 5. 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

Colorado Legislative Council Staff

LOCAL
FISCAL IMPACT

No State General Fund Impact

Drafting Number: LLS 03-0107
Prime Sponsor(s): Sen. Phillips

Date: November 15, 2002
Bill Status: Police Officers' and Firefighters'
Pension Reform Commission
Fiscal Analyst: Todd Herreid (303-866-2633)

TITLE: CONCERNING MEMBERSHIP IN PLANS ADMINISTERED BY THE FIRE AND POLICE PENSION ASSOCIATION.

Fiscal Impact Summary	FY 2003/2004	FY 2004/2005
State Revenues General Fund		
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: None		
Effective Date: 90 days after adjournment (August 5, 2003), unless a referendum petition is filed.		
Appropriation Summary for FY 2003/2004: None.		
Local Government Impact: Local governments that employ firefighters and police officers at fewer than 1,600 hours per calendar year will pay higher pension costs if they currently contribute to Social Security or the Public Employees' Retirement Association (PERA); other local government employers may reduce pension costs.		

Summary of Legislation

Under current law, pension plans administered by the Fire and Police Pension Association are restricted to full-time salaried employees of municipalities, fire protection districts, or county improvement districts, provided their duties are directly related to the provision of police or fire protection.

This bill expands the definition of who can participate in these pension plans by allowing part-time employees hired after July 1, 2003 and fire authority employees to participate, provided their duties are directly related to the provision of police or fire protection. The bill requires employees who serve fewer than 1,600 hours in a calendar year to be covered under the statewide money purchase plan. The bill also provides that any county may participate in death and disability benefit plans or the statewide defined benefit plan offered by the Fire and Police Pension Association,

provided they have salaried employees who are certified under the federal Social Security Act and are involved in the provision of law enforcement or fire protection. Employers who affiliate with PERA for the purpose of administering retirement benefits would be ineligible to participate in death and disability benefit plans offered by the Fire and Police Pension Association.

Local Government Impact

Under current law, local government employers of firefighters and police officers who work fewer than 1,600 hours per calendar year are required to contribute to either a local pension plan, PERA, or Social Security. This bill requires employers of firefighters and police officers who work fewer than 1,600 hours per calendar year to participate in the statewide money purchase plan offered by the Fire and Police Pension Association. The statewide money purchase plan requires employee and employer contributions each equal to 8 percent of the employee's salary.

Since local government employers may currently participate in different pension plans, the fiscal impact of the bill is mixed. Employers of firefighters and police officers who contribute to PERA at a rate of 6.88 percent or Social Security at a rate of 6.20 percent will experience an increase in pension costs. Employers that contribute to a local pension plan may realize a reduction in pension costs, since many require employee and employer contributions of more than 8 percent. Moreover, local governments that are required to change their pension plans for firefighters and police officers who work fewer than 1,600 hours per calendar year may incur additional administrative costs.

In addition, the bill allows county sheriffs to participate in the supplemental pension and death and disability plans offered by the Fire and Police Pension Association. Local governments that choose to participate in these supplemental plans will incur additional costs.

State Appropriations

No new state appropriations are needed to implement the bill in FY 2003-04.

Departments Contacted

Local Affairs State Treasurer Fire and Police Pension Association
Public Employees' Retirement Association

Omissions and Technical or Mechanical Defects

The bill specifies that employers who have affiliated with the Public Employees' Retirement Association (PERA) for the purpose of administering retirement benefits would be excluded from death and disability benefit plans provided by the Fire and Police Pension Association. Several cities cover their general or civilian employees under PERA, but their fire and police employees are not covered under PERA. Consequently, this provision of the bill excludes these fire and police employees from death and disability coverage even though their retirement benefits are not administered by PERA.

Bill B

HOUSE SPONSORSHIP

Fritz, Cadman, Rhodes, and Snook

SENATE SPONSORSHIP

Hanna and Phillips

A BILL FOR AN ACT

CONCERNING A STATEWIDE HEALTH CARE DEFINED BENEFIT PLAN FOR
POLICE OFFICERS AND FIREFIGHTERS.

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.

Authorizes the board of directors of the fire and police pension association to develop, maintain, and amend a statewide health care defined benefit plan (plan) that will provide a defined benefit to assist in paying for the cost of health care for each retired eligible member.

Authorizes the board of directors to conduct an election of all eligible members, who are all members who participate in the statewide retirement plans administered by the board, to determine if such members want to participate in the plan. Requires all eligible members to participate in the plan if 65% of all eligible members vote in favor of participating in the plan.

Creates the fire and police members' statewide health care defined benefit fund consisting of moneys contributed by eligible members and their employers. Establishes that contributions to the fund shall be the responsibility of the eligible members unless an eligible member's employer elects to pay all or a portion of his or her contribution.

Defines terms.

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

SECTION 1. Part 9 of article 31 of title 31, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

31-31-904. Statewide health care defined benefit plan - definitions. (1) THE BOARD MAY DEVELOP, MAINTAIN, AND AMEND A STATEWIDE HEALTH CARE DEFINED BENEFIT PLAN, INCLUDING A PLAN DOCUMENT, THAT COMPLIES WITH THE QUALIFICATION REQUIREMENTS SPECIFIED UNDER THE INTERNAL REVENUE CODE, AS APPLICABLE TO GOVERNMENTAL PLANS. THE PURPOSE OF SUCH PLAN SHALL BE TO PROVIDE A DEFINED BENEFIT TO ASSIST IN PAYING FOR THE COSTS OF HEALTH CARE FOR EACH RETIRED ELIGIBLE MEMBER.

(2) THE BOARD MAY CONDUCT AN ELECTION OF ALL ELIGIBLE MEMBERS FOR THE PURPOSE OF DETERMINING WHETHER THE ELIGIBLE MEMBERS WANT TO PARTICIPATE IN THE STATEWIDE HEALTH CARE DEFINED BENEFIT PLAN CREATED PURSUANT TO SUBSECTION (1) OF THIS SECTION. IF SIXTY-FIVE PERCENT OF ALL ELIGIBLE MEMBERS VOTE IN FAVOR OF PARTICIPATING IN THE PLAN, ALL ELIGIBLE MEMBERS SHALL BE REQUIRED TO PARTICIPATE IN SUCH PLAN.

(3) IF THE ELIGIBLE MEMBERS VOTE IN FAVOR OF PARTICIPATING

IN THE STATEWIDE HEALTH CARE DEFINED BENEFIT PLAN PURSUANT TO SUBSECTION (2) OF THIS SECTION, THERE SHALL BE CREATED THE FIRE AND POLICE MEMBERS' STATEWIDE HEALTH CARE DEFINED BENEFIT FUND THAT SHALL CONSIST OF MONEYS CONTRIBUTED BY ELIGIBLE MEMBERS AND THEIR EMPLOYERS FOR THE PURPOSE OF FUNDING HEALTH CARE DURING RETIREMENT. CONTRIBUTIONS SHALL BE THE RESPONSIBILITY OF THE ELIGIBLE MEMBERS, UNLESS AN ELIGIBLE MEMBER'S EMPLOYER ELECTS TO PAY ALL OR A PORTION OF HIS OR HER CONTRIBUTION.

(4) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "ELIGIBLE MEMBER" MEANS EACH MEMBER WHO PARTICIPATES IN A STATEWIDE RETIREMENT PLAN ADMINISTERED BY THE BOARD PURSUANT TO THIS TITLE.

(b) "INTERNAL REVENUE CODE" SHALL HAVE THE SAME MEANING AS PROVIDED IN SECTION 31-31-409 (1).

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
STATE and LOCAL
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 03-0108
Prime Sponsor(s): Rep. Fritz
Sen. Hanna

Date: November 12, 2002
Bill Status: Police Officers' and Firefighters'
Pension Reform Commission
Fiscal Analyst: Todd Herreid (303-866-2633)

TITLE: CONCERNING A STATEWIDE HEALTH CARE DEFINED BENEFIT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS.

Fiscal Impact Summary	FY 2003/2004	FY 2004/2005
State Revenues General Fund		
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: None.		
Effective Date: 90 days after adjournment (August 5, 2003), unless a referendum petition is filed.		
Appropriation Summary for FY 2003/2004: None required.		
Local Government Impact: Increased expenditures for local governments that choose to participate in the health care defined benefit plan.		

Summary of Legislation

This bill authorizes the Board of Directors of the Fire and Police Pension Association to create a new statewide health care defined benefit plan for retired members if 65 percent of all eligible members participating in a retirement plan administered by the board vote in favor of such a plan. The bill creates the Fire and Police Members' Statewide Health Care Defined Benefit Fund within the State Treasury, consisting of moneys contributed by eligible members and their employers. However, contributions are the responsibility of eligible members, unless employers choose to pay all or a portion of a member's contributions.

Since local governments must choose whether to participate in this new health care plan, the bill is assessed as having a conditional fiscal impact.

State and Local Government Impact

Local governments will incur additional costs if they elect to participate in this new statewide health care defined benefit plan. The magnitude of the increase in expenditures will depend upon how much each local government wants to contribute.

In addition, local governments may be required to pay additional funds in the event that member contributions are insufficient to pay all of the health care benefit liabilities.

NOTE: Under current law (Section 31-31-301(3), C.R.S.), the statewide defined benefit plan, administered by the Fire and Police Pension Association, has established certain procedures for financing any unfunded benefit liabilities. In particular, a stabilization reserve account was created to pay for any unfunded benefit liabilities and, when these reserves are depleted, the statutes permit contribution rates for employees and employers to increase.

This bill does not specify the contribution rate for eligible members, and the bill is silent concerning the procedures for administering any unfunded health care benefit liabilities. In the event that eligible member contributions are insufficient to meet the benefit liabilities of this new plan, additional funding may be required from either state or local governments.

State Appropriations

No new state appropriations are needed to implement the bill in FY 2003-04. However, additional state appropriations may be required in the future if member contributions are insufficient to pay all of the health care benefit liabilities.

Departments Contacted

Local Affairs Public Employees' Retirement Association
Fire and Police Pension Association

Bill C

SENATE SPONSORSHIP

Anderson, Hanna, and Phillips

HOUSE SPONSORSHIP

Cadman

A BILL FOR AN ACT

CONCERNING BENEFIT PLAN ALTERNATIVES WITHIN THE FIRE AND POLICE
PENSION ASSOCIATION FOR MEMBERS OF MONEY PURCHASE
PLANS.

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 an employer of police officers and firefighters that has established a local money purchase plan, an alternative exempt local money purchase plan, or that participates in the statewide money purchase plan to apply to the board of directors of the fire and police pension association (board) to cover the existing members of the money purchase plan under either the statewide hybrid plan or the statewide defined benefit plan.

Specifies that the employers resolution applying for coverage under the statewide hybrid plan or the statewide defined benefit plan shall be adopted by the governing body of the employer.

States that any application for coverage under the statewide hybrid plan or the statewide defined benefit plan shall be approved by at least 65% of the all active members employed by the employer who are

participating in the money purchase plan at the time of application.

Directs the board to promulgate rules relating to procedures for obtaining member approval, for granting an employer's application for participation in the statewide hybrid plan or statewide defined benefit plan, and for the submission of information to the board by the employer.

Requires that certain items shall be certified by the employer to the board before an application for coverage under the statewide hybrid plan or the statewide defined benefit plan shall be complete.

Specifies that under both the statewide hybrid plan and the statewide defined benefit plan:

- Members maintain their money purchase balances either within the exiting plan or with the fire and police pension association;
- Members vest in money purchase balances based on combined years of service; and
- Members vest in the applicable plan based on service credit earned or purchased while in such plan.

Authorizes the board to create a plan document for a statewide hybrid plan that offers a combination of defined benefit and defined contribution benefits and that is intended to comply with the qualification requirements established in the federal internal revenue code. States that the plan document governs the following:

- Accrual of service credit and vesting;
- Benefits to be offered based on age and service;
- Allocation of contributions between the defined benefit and the defined contribution;
- Calculation and allocation of earning and losses;
- Transfer of assets between funds; and
- Allocation of a member's account between investment alternatives.

Creates the fire and police members' statewide hybrid plan benefit fund. Specifies that each member covered by the statewide hybrid plan shall pay 8% of salary paid into the fund and that for each member the employer shall pay 8% of salary paid to such member. Provides for local election to increase the contribution rates.

Changes the vesting period under the statewide defined benefit plan to 5 years.

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

SECTION 1. Article 31 of title 31, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW PART to read:

PART 11
ALTERNATIVES FOR MONEY
PURCHASE PLAN MEMBERS

31-31-1101. Entry into the statewide hybrid plan. (1) ANY EMPLOYER WHO HAS ESTABLISHED A LOCAL MONEY PURCHASE PLAN PURSUANT TO PART 6 OF THIS ARTICLE OR ARTICLE 30.5 OF THIS TITLE OR HAS WITHDRAWN INTO THE STATEWIDE MONEY PURCHASE PLAN PURSUANT TO PART 5 OF THIS ARTICLE MAY APPLY TO THE BOARD TO COVER THE EXISTING MEMBERS OF ITS MONEY PURCHASE PLAN UNDER THE STATEWIDE HYBRID PLAN ESTABLISHED PURSUANT TO SECTION 31-31-1102. AN APPLICATION MAY BE INITIATED BY FILING WITH THE BOARD A RESOLUTION ADOPTED BY THE EMPLOYER PURSUANT TO SUBSECTION (2) OF THIS SECTION NO LESS THAN SIX MONTHS PRIOR TO THE PROPOSED EFFECTIVE DATE OF COVERAGE UNDER THE STATEWIDE HYBRID PLAN, UNLESS A SHORTER WAITING PERIOD IS APPROVED BY THE BOARD.

(2) THE EMPLOYER'S RESOLUTION APPLYING FOR COVERAGE UNDER THE STATEWIDE HYBRID PLAN SHALL BE ADOPTED BY THE GOVERNING BODY OF THE EMPLOYER AND SHALL STATE THE EMPLOYER'S

INTENT TO COVER THE MEMBERS OF ITS MONEY PURCHASE PLAN UNDER THE STATEWIDE HYBRID PLAN.

(3) ANY APPLICATION FOR COVERAGE UNDER THE STATEWIDE HYBRID PLAN SHALL BE APPROVED BY AT LEAST SIXTY-FIVE PERCENT OF ALL ACTIVE MEMBERS EMPLOYED BY THE EMPLOYER WHO ARE PARTICIPATING IN THE MONEY PURCHASE PLAN AT THE TIME OF THE APPLICATION.

(4) THE BOARD SHALL PROMULGATE RULES RELATING TO STANDARDS FOR DISCLOSURE OF ALL RAMIFICATIONS AND PROCEDURES FOR OBTAINING MEMBER APPROVAL PURSUANT TO SUBSECTION (3) OF THIS SECTION. THE BOARD SHALL ALSO PROMULGATE RULES RELATING TO STANDARDS FOR GRANTING AN EMPLOYER'S APPLICATION FOR PARTICIPATION IN THE STATEWIDE HYBRID PLAN AND FOR THE SUBMISSION OF INFORMATION TO THE BOARD BY THE EMPLOYER.

(5) AN APPLICATION FOR COVERAGE UNDER THE STATEWIDE HYBRID PLAN FILED BY AN EMPLOYER WHO ADMINISTERS A LOCAL MONEY PURCHASE PLAN SHALL INCLUDE THE EMPLOYER'S CERTIFICATION TO THE BOARD:

(a) THAT THE EMPLOYER'S LOCAL MONEY PURCHASE PLAN MEETS THE QUALIFICATION REQUIREMENTS OF SECTION 401 (a) OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS AMENDED, THAT ARE

APPLICABLE TO GOVERNMENTAL PLANS;

(b) THAT IN CONNECTION WITH THE EMPLOYER'S RESOLUTION PURSUANT TO SUBSECTION (2) OF THIS SECTION, THE EMPLOYER'S GOVERNING BODY HAS ADOPTED A RESOLUTION FOR COMPLETE OR PARTIAL TERMINATION OF THE LOCAL MONEY PURCHASE PLAN IN ACCORDANCE WITH THE TERMS OF THAT PLAN AND THAT:

(I) THE TERMINATION RESOLUTION DOES NOT ADVERSELY AFFECT THE QUALIFIED STATUS OF THE LOCAL MONEY PURCHASE PLAN; AND

(II) THE RIGHTS OF ALL PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WHO ARE AFFECTED BY THE TERMINATION OF THE LOCAL MONEY PURCHASE PLAN TO BENEFITS ACCRUED TO THE DATE OF TERMINATION ARE NONFORFEITABLE;

(c) THAT ALL ACTIVE FIRE AND POLICE PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WILL BECOME PARTICIPANTS IN THE STATEWIDE HYBRID PLAN;

(d) WHETHER THE EMPLOYER WILL TRANSFER OR CAUSE TO BE TRANSFERRED TO THE STATEWIDE HYBRID PLAN ALL ASSETS OF THE LOCAL MONEY PURCHASE PLAN THAT ARE ATTRIBUTABLE TO THE ACCRUED BENEFITS OF THE TRANSFERRED PARTICIPANTS, PURSUANT TO THE PROCEDURE ESTABLISHED BY THE BOARD;

(e) THAT ALL EMPLOYER AND EMPLOYEE CONTRIBUTIONS REQUIRED TO BE MADE TO THE LOCAL MONEY PURCHASE PLAN AS OF THE DATE OF TERMINATION HAVE BEEN PAID;

(f) THAT PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WILL NOT INCUR A REDUCTION IN THEIR ACCOUNT BALANCES IN THEIR LOCAL MONEY PURCHASE PLAN, DETERMINED AS OF THE DATE OF TRANSFER, AS A RESULT OF THEIR TRANSFER TO THE STATEWIDE HYBRID PLAN. FOR VESTING PURPOSES WITH REGARD TO THE LOCAL MONEY PURCHASE PLAN ACCOUNT BALANCES, YEARS OF SERVICE IN THE LOCAL MONEY PURCHASE PLAN SHALL BE COMBINED WITH YEARS OF SERVICE IN THE STATEWIDE HYBRID PLAN. FOR VESTING PURPOSES WITH REGARD TO THE STATEWIDE HYBRID PLAN, YEARS OF SERVICE SHALL BE BASED UPON SERVICE CREDIT EITHER EARNED OR PURCHASED IN THE STATEWIDE HYBRID PLAN.

(g) THAT THE EMPLOYER AGREES TO PARTICIPATE IN THE STATEWIDE HYBRID PLAN AND TO BE BOUND BY THE TERMS OF THE PLAN AND THE DECISIONS AND ACTIONS OF THE BOARD WITH RESPECT TO THE PLAN.

(6) AN APPLICATION FOR COVERAGE UNDER THE STATEWIDE HYBRID PLAN FILED BY AN EMPLOYER WHO PARTICIPATES IN THE STATEWIDE MONEY PURCHASE PLAN SHALL INCLUDE THE EMPLOYER'S

CERTIFICATION TO THE BOARD THAT:

(a) ALL ACTIVE FIRE AND POLICE PARTICIPANTS IN THE STATEWIDE MONEY PURCHASE PLAN WILL BECOME PARTICIPANTS IN THE STATEWIDE HYBRID PLAN;

(b) THE BOARD IS AUTHORIZED BY THE EMPLOYER TO TRANSFER TO THE STATEWIDE HYBRID PLAN ALL ASSETS OF THE STATEWIDE MONEY PURCHASE PLAN THAT ARE ATTRIBUTABLE TO THE ACCRUED BENEFITS OF THE TRANSFERRED PARTICIPANTS;

(c) ALL EMPLOYER AND EMPLOYEE CONTRIBUTIONS REQUIRED TO BE MADE TO THE STATEWIDE MONEY PURCHASE PLAN AS OF THE DATE OF TERMINATION HAVE BEEN PAID;

(d) PARTICIPANTS IN THE STATEWIDE MONEY PURCHASE PLAN WILL NOT INCUR A REDUCTION IN THEIR ACCOUNT BALANCES IN THE STATEWIDE MONEY PURCHASE PLAN, DETERMINED AS OF THE DATE OF TRANSFER, AS A RESULT OF THEIR TRANSFER TO THE STATEWIDE HYBRID PLAN. FOR VESTING PURPOSES WITH REGARD TO THE STATEWIDE MONEY PURCHASE PLAN ACCOUNT BALANCES, YEARS OF SERVICE IN THE STATEWIDE MONEY PURCHASE PLAN SHALL BE COMBINED WITH YEARS OF SERVICE IN THE STATEWIDE HYBRID PLAN. FOR VESTING PURPOSES WITH REGARD TO THE STATEWIDE HYBRID PLAN, YEARS OF SERVICE SHALL BE BASED UPON SERVICE CREDIT EITHER EARNED OR PURCHASED IN THE

STATEWIDE HYBRID PLAN.

(e) THE EMPLOYER AGREES TO PARTICIPATE IN THE STATEWIDE HYBRID PLAN AND TO BE BOUND BY THE TERMS OF THE PLAN AND THE DECISIONS AND ACTIONS OF THE BOARD WITH RESPECT TO THE PLAN.

31-31-1102. Statewide hybrid plan - creation - management.

(1) THE BOARD IS AUTHORIZED TO DEVELOP, MAINTAIN, AND AMEND A STATEWIDE HYBRID PLAN DOCUMENT THAT OFFERS A COMBINATION OF DEFINED BENEFIT AND DEFINED CONTRIBUTION BENEFITS AND THAT IS INTENDED TO COMPLY WITH THE QUALIFICATION REQUIREMENTS SPECIFIED IN SECTION 401 OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS AMENDED, THAT ARE APPLICABLE TO GOVERNMENTAL PLANS. THE PLAN SHALL COVER THE MEMBERS OF THOSE EMPLOYERS THAT HAVE ELECTED COVERAGE UNDER THE PLAN PURSUANT TO SECTION 31-31-1101.

(2) (a) THERE IS HEREBY CREATED THE FIRE AND POLICE MEMBERS' STATEWIDE HYBRID PLAN BENEFIT FUND THAT SHALL CONSIST OF MONEYS OF EMPLOYERS THAT HAVE ELECTED COVERAGE PURSUANT TO SECTION 31-31-1101, INCLUDING MEMBER AND EMPLOYER CONTRIBUTIONS AND SUCH AMOUNTS AS MAY BE TRANSFERRED PURSUANT TO SECTION 31-31-1101. THE BOARD SHALL KEEP AN ACCURATE ACCOUNT OF THE FUND, EACH MEMBER'S SEPARATE ACCOUNT IN THE FUND, AND EACH MEMBER'S SERVICE CREDIT EARNED UNDER THE STATEWIDE HYBRID PLAN.

THE BOARD MAY ALLOW A MEMBER TO EXERCISE CONTROL OF THE INVESTMENT OF PART OF THE MEMBER'S ACCRUED BENEFIT UNDER THE PLAN. IN ALLOWING A MEMBER TO EXERCISE SUCH CONTROL, THE BOARD SHALL:

(I) SELECT AT LEAST THREE INVESTMENT ALTERNATIVES, EACH OF WHICH IS DIVERSIFIED IN ITSELF, THAT ALLOW THE MEMBER A BROAD RANGE OF INVESTMENTS AND A MEANINGFUL CHOICE BETWEEN RISK AND RETURN IN THE INVESTMENT OF THE MEMBER'S ACCRUED BENEFIT;

(II) ALLOW THE MEMBER TO CHANGE INVESTMENTS AT LEAST ONCE EACH CALENDAR QUARTER; AND

(III) PROVIDE THE MEMBER WITH INFORMATION DESCRIBING THE INVESTMENT ALTERNATIVES, THE NATURE, INVESTMENT PERFORMANCE, FEES, AND EXPENSES OF INVESTMENT ALTERNATIVES, AND OTHER INFORMATION TO ENABLE A MEMBER TO MAKE INFORMED INVESTMENT DECISIONS.

(b) THE STATEWIDE HYBRID PLAN DOCUMENT CREATED BY THE BOARD PURSUANT TO SUBSECTION (1) OF THIS SECTION SHALL GOVERN THE ACCRUAL OF SERVICE CREDIT, VESTING, THE BENEFITS TO BE OFFERED BASED ON AGE AND SERVICE, THE ALLOCATION OF CONTRIBUTIONS TOWARDS FUNDING THE DEFINED BENEFIT AND THE DEFINED CONTRIBUTION, THE CALCULATION AND ALLOCATION OF EARNINGS AND

LOSSES UNDER THE VARIOUS INVESTMENT ALTERNATIVES WHICH THE BOARD MAY OFFER, THE TRANSFER OF ASSETS BETWEEN FUNDS UNDER EACH INVESTMENT ALTERNATIVE, THE ALLOCATION OF A MEMBER'S ACCOUNT BETWEEN INVESTMENT ALTERNATIVES, AND SUCH OTHER MATTERS AS MAY BE NECESSARY TO THE BOARD'S ADMINISTRATION AND MANAGEMENT OF THE STATEWIDE HYBRID PLAN BENEFIT FUND CREATED PURSUANT TO THIS SECTION.

(c) IN ITS ADMINISTRATION, INVESTMENT, AND MANAGEMENT OF THE DEFINED CONTRIBUTION ASSETS WITHIN THE STATEWIDE HYBRID PLAN BENEFIT FUND, THE BOARD SHALL BE SUBJECT TO THE SAME PROVISIONS APPLICABLE TO ITS ADMINISTRATION, INVESTMENT, AND MANAGEMENT OF THE FIRE AND POLICE MEMBERS' MONEY PURCHASE PLAN BENEFIT FUND AS SET FORTH IN SECTION 31-31-703 (2) TO (7). IN ITS ADMINISTRATION, INVESTMENT, AND MANAGEMENT OF THE DEFINED BENEFIT ASSETS WITHIN THE STATEWIDE HYBRID PLAN BENEFIT FUND, THE BOARD SHALL BE SUBJECT TO THE SAME PROVISIONS APPLICABLE TO ITS ADMINISTRATION OF THE FIRE AND POLICE MEMBER'S BENEFIT FUND AS SET FORTH IN SECTION 31-31-302.

(3) EACH MEMBER'S MEMBER AND EMPLOYER CONTRIBUTIONS TRANSFERRED TO THE STATEWIDE HYBRID PLAN BENEFIT FUND PURSUANT TO SECTION 31-31-1101 SHALL BE ALLOCATED TO THE MEMBER'S

SEPARATE ACCOUNT WITHIN THE FUND.

(4) (a) EXCEPT AS PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (4), UPON THE EFFECTIVE DATE OF COVERAGE UNDER THE STATEWIDE HYBRID PLAN, EACH MEMBER COVERED BY THE 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 TO SUCH MEMBER. EXCEPT AS PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (4), FOR EACH SUCH MEMBER, THE EMPLOYER SHALL PAY INTO THE STATEWIDE HYBRID PLAN BENEFIT FUND EIGHT PERCENT OF THE SALARY PAID TO SUCH MEMBER. 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.

(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 STATEWIDE HYBRID 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, THAT ARE APPLICABLE TO GOVERNMENT PLANS.

(5) EXCEPT WITH RESPECT TO AMENDMENTS NECESSARY TO COMPLY WITH STATE AND FEDERAL LAW OR NECESSARY TO MAINTAIN THE ACTUARIAL SOUNDNESS OF THE STATEWIDE HYBRID PLAN, THE BOARD MAY AMEND THE 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.

31-31-1103. Entry into the statewide defined benefit plan.

(1) (a) ANY EMPLOYER WHO HAS ESTABLISHED A LOCAL MONEY PURCHASE PLAN PURSUANT TO PART 6 OF THIS ARTICLE OR ARTICLE 30.5 OF THIS TITLE OR HAS WITHDRAWN INTO THE STATEWIDE MONEY PURCHASE PLAN PURSUANT TO PART 5 OF THIS ARTICLE MAY APPLY TO THE BOARD TO COVER THE MEMBERS OF ITS MONEY PURCHASE PLAN AND ITS FUTURE MEMBERS UNDER THE STATEWIDE DEFINED BENEFIT PLAN PURSUANT TO PART 4 OF THIS ARTICLE. AN APPLICATION MAY BE INITIATED BY FILING WITH THE BOARD A RESOLUTION ADOPTED BY THE EMPLOYER PURSUANT TO PARAGRAPH (b) OF THIS SUBSECTION (1) NO LESS THAN SIX MONTHS PRIOR TO THE PROPOSED EFFECTIVE DATE OF COVERAGE UNDER THE STATEWIDE DEFINED BENEFIT PLAN, UNLESS A SHORTER WAITING PERIOD IS APPROVED BY THE BOARD.

(b) THE EMPLOYER'S RESOLUTION APPLYING FOR COVERAGE UNDER THE STATEWIDE DEFINED BENEFIT PLAN SHALL BE ADOPTED BY THE

GOVERNING BODY OF THE EMPLOYER AND SHALL STATE THE EMPLOYER'S INTENT TO COVER THE MEMBERS OF ITS MONEY PURCHASE PLAN UNDER THE STATEWIDE DEFINED BENEFIT PLAN.

(c) ANY APPLICATION FOR COVERAGE UNDER THE STATEWIDE DEFINED BENEFIT PLAN SHALL BE APPROVED BY AT LEAST SIXTY-FIVE PERCENT OF ALL ACTIVE MEMBERS EMPLOYED BY THE EMPLOYER WHO ARE PARTICIPATING IN THE MONEY PURCHASE PLAN AT THE TIME OF THE APPLICATION.

(d) THE BOARD SHALL PROMULGATE RULES RELATING TO STANDARDS FOR DISCLOSURE OF ALL RAMIFICATIONS AND PROCEDURES FOR OBTAINING THE MEMBER APPROVAL DESCRIBED IN PARAGRAPH (c) OF THIS SUBSECTION (1). THE BOARD SHALL ALSO PROMULGATE RULES RELATING TO STANDARDS FOR GRANTING AN EMPLOYER'S APPLICATION FOR PARTICIPATION IN THE STATEWIDE DEFINED BENEFIT PLAN AND FOR THE SUBMISSION OF INFORMATION TO THE BOARD BY THE EMPLOYER.

(e) AN APPLICATION FOR COVERAGE UNDER THE STATEWIDE DEFINED BENEFIT PLAN FILED BY AN EMPLOYER WHO ADMINISTERS A LOCAL MONEY PURCHASE PLAN SHALL INCLUDE THE EMPLOYER'S CERTIFICATION TO THE BOARD THAT:

(I) THE EMPLOYER'S LOCAL MONEY PURCHASE PLAN MEETS THE QUALIFICATION REQUIREMENTS OF SECTION 401 (a) OF THE FEDERAL

"INTERNAL REVENUE CODE OF 1986", AS AMENDED, THAT ARE APPLICABLE TO GOVERNMENTAL PLANS;

(II) IN CONNECTION WITH THE EMPLOYER'S RESOLUTION PURSUANT TO PARAGRAPH (b) OF THIS SUBSECTION (1), THE EMPLOYER'S GOVERNING BODY HAS ADOPTED A RESOLUTION FOR COMPLETE OR PARTIAL TERMINATION OF THE LOCAL MONEY PURCHASE PLAN IN ACCORDANCE WITH THE TERMS OF THAT PLAN AND THAT:

(A) THE TERMINATION RESOLUTION DOES NOT ADVERSELY AFFECT THE QUALIFIED STATUS OF THE LOCAL MONEY PURCHASE PLAN; AND

(B) THE RIGHTS OF ALL PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WHO ARE AFFECTED BY THE TERMINATION TO BENEFITS ACCRUED TO THE DATE OF TERMINATION ARE NONFORFEITABLE;

(III) ALL ACTIVE FIRE AND POLICE PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WILL BECOME PARTICIPANTS IN THE STATEWIDE DEFINED BENEFIT PLAN;

(IV) ALL EMPLOYER AND EMPLOYEE CONTRIBUTIONS REQUIRED TO BE MADE TO THE LOCAL MONEY PURCHASE PLAN AS OF THE DATE OF TERMINATION HAVE BEEN PAID;

(V) PARTICIPANTS IN THE LOCAL MONEY PURCHASE PLAN WILL NOT INCUR A REDUCTION IN THEIR ACCOUNT BALANCES IN THEIR LOCAL

MONEY PURCHASE PLAN, DETERMINED AS OF THE DATE OF TRANSFER, AS A RESULT OF THEIR TRANSFER TO THE STATEWIDE DEFINED BENEFIT PLAN. FOR VESTING PURPOSES WITH REGARD TO THE LOCAL MONEY PURCHASE PLAN ACCOUNT BALANCES, YEARS OF SERVICE IN THE LOCAL MONEY PURCHASE PLAN SHALL BE COMBINED WITH YEARS OF SERVICE IN THE STATEWIDE DEFINED BENEFIT PLAN. FOR VESTING PURPOSES WITH REGARD TO THE STATEWIDE DEFINED BENEFIT PLAN, YEARS OF SERVICE SHALL BE BASED UPON SERVICE CREDIT EITHER EARNED OR PURCHASED IN THE STATEWIDE DEFINED BENEFIT PLAN.

(VI) THE EMPLOYER AGREES TO PARTICIPATE IN THE STATEWIDE DEFINED BENEFIT PLAN AND TO BE BOUND BY THE TERMS OF THE PLAN AND THE DECISIONS AND ACTIONS OF THE BOARD WITH RESPECT TO THE PLAN. THE EMPLOYER FURTHER AGREES THAT ALL MEMBERS HIRED AFTER THE EFFECTIVE DATE OF COVERAGE SHALL BE MEMBERS OF THE PLAN PURSUANT TO PART 4 OF THIS ARTICLE.

(f) AN APPLICATION FOR COVERAGE UNDER THE STATEWIDE DEFINED BENEFIT PLAN FILED BY AN EMPLOYER WHO PARTICIPATES IN THE STATEWIDE MONEY PURCHASE PLAN SHALL INCLUDE THE EMPLOYER'S CERTIFICATION TO THE BOARD THAT:

(I) ALL ACTIVE FIRE AND POLICE PARTICIPANTS IN THE STATEWIDE MONEY PURCHASE PLAN WILL BECOME PARTICIPANTS IN THE

this section, excluding the benefit described in section 31-31-405, may not be fully funded on an actuarially sound basis without necessitating an increase in the eight percent employer and eight percent member contribution made pursuant to section 31-31-402, the board shall not increase such employer or member contributions unless:

(II) The board has transferred all funds in the stabilization reserve account to the actuarial account as required by section 31-31-301 (3) (b) and (3) (c), except such funds as are attributable to the separate retirement account of any member who has terminated service after at least ~~ten~~ FIVE years of credited service.

SECTION 3. 31-31-404 (2) (a), Colorado Revised Statutes, is amended to read:

31-31-404. Return or transfer of contributions - vested retirement. (2) (a) In lieu of having the member's contributions returned as provided in paragraph (a) of subsection (1) of this section, a member who has at least ~~ten~~ FIVE years of credited service may leave the contributions with the fund. When the inactive member attains age fifty-five, the member shall be eligible to receive an annual vested benefit equal to two percent of the member's average highest three years' salary multiplied by years, not to exceed twenty-five, of active service. Any such member shall be eligible to receive the applicable vested benefit as

provided in this section or to make an election for a reduced pension in the manner provided in section 31-31-403 (5). All the provisions of section 31-31-403 (5) shall apply to the member; except that the benefits used to calculate the reduced benefits shall be the vested benefit provided to the member under this section rather than the retirement benefit provided in section 31-31-403. The member may not elect one of the options earlier than sixty days prior to the commencement of vested benefit payments. In the event that an inactive member who is eligible for vested benefits dies prior to the commencement of the member's benefit payments, the fire and police pension association shall refund the inactive member's contributions to the member's estate, and no vested benefits shall be payable to the inactive member's survivors or beneficiaries.

SECTION 4. 31-31-406 (1), (6), and (7) (b), Colorado Revised Statutes, are amended to read:

31-31-406. Separate retirement accounts - administration.
(1) Any member having a separate retirement account who terminates service and at the time of termination has less than ~~ten~~ FIVE years of credited service or who terminates service and at the time of termination has more than ~~ten~~ FIVE years of credited service but elects a refund of contributions as provided under section 31-31-404 (1) (a) shall forfeit the entire balance in the member's separate retirement account to the actuarial

account.

(6) If a member terminates service with less than ~~ten~~ FIVE years of credited service and does not elect a refund of accumulated contributions, the amount in the member's separate retirement account shall not be forfeited but shall continue to be subject to the earnings and reduction provisions of section 31-31-405, and, upon the member's return to active service with an employer covering its members under the normal retirement provisions of this part 4, the member shall be credited with any amount which has accrued in the member's separate retirement account.

(7) The balance in a member's separate retirement account, the member's accumulated contributions to the account, and the earnings on the account shall be paid to the member's estate if the member:

(b) Has more than ~~ten~~ FIVE years of credited service;

SECTION 5. 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

Colorado Legislative Council Staff

**LOCAL
CONDITIONAL FISCAL IMPACT**

No State General Fund Impact

Drafting Number: LLS 03-0106
Prime Sponsor(s): Sen. Anderson
Rep. Cadman

Date: November 4, 2002
Bill Status: Police Officers' and Firefighters'
Pension Reform Commission
Fiscal Analyst: Todd Herreid (303-866-2633)

TITLE: CONCERNING BENEFIT PLAN ALTERNATIVES WITHIN THE FIRE AND POLICE PENSION ASSOCIATION FOR MEMBERS OF MONEY PURCHASE PLANS.

Fiscal Impact Summary	FY 2003/2004	FY 2004/2005
State Revenues General Fund		
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE

Other State Impact: None

Effective Date: 90 days after adjournment (August 5, 2003), unless a referendum petition is filed.

Appropriation Summary for FY 2003/2004: None required.

Local Government Impact: Some local governments may reduce pension costs if they choose to participate in either the statewide defined benefit plan or the new statewide hybrid pension plan.

Summary of Legislation

Under current law, local government employers of police officers and firefighters, who offer pension benefits through local money purchase plans or the statewide money purchase plan, are unable to apply for coverage under the statewide defined benefit plan offered by the Fire and Police Pension Association.

This bill allows those employers to apply for coverage under either the statewide defined benefit plan or a new statewide hybrid plan, provided at least 65 percent of the employer's active members participating in the money purchase plan agree to the change. The bill specifies how this transfer to the statewide defined benefit plan or the hybrid plan would be accomplished, and it creates the Fire and Police Members' Statewide Hybrid Plan Benefit Fund within the State Treasury. This new fund would consist of employer and employee contributions, which are each fixed at 8 percent of the employee's salary. Moreover, the vesting period for pension benefits under the statewide defined benefit plan is reduced from 10 years to 5 years under the bill.

Since the impact of the bill is dependent upon whether a local government elects to change pension plans, the bill is assessed as having a conditional fiscal impact.

Local Government Impact

Many local governments that provide pension benefits to firefighters and police officers through a local money purchase plan require employee and employer contributions of more than 8 percent. For example, the City of Littleton's money purchase plan for firefighters and police officers requires a 10 percent matching contribution, based on each employee's salary. The City of Thornton requires a 9 percent matching contribution. Local governments that choose to transfer local money purchase plans to either the statewide defined benefit plan or the new statewide hybrid benefit plan may reduce their pension costs by paying a lower contribution percentage. The impact of this provision of the bill is contingent upon whether a local government elects to change pension plans.

In addition, the bill reduces the vesting period under the statewide defined benefit plan from 10 years to 5 years. From an actuarial standpoint, this provision of the bill is not expected to impact the Fire and Police Member's Benefit Fund, which is used to administer pension benefits under the statewide defined benefit plan. Under current law, members who terminate employment with fewer than 10 years of service usually withdraw their contributions, which reduces the accrued liability of the fund. This bill may encourage members who terminate employment with at least 5 years of service, but fewer than 10 years of service, to keep their contributions within the fund to receive pension benefits at a later date. The retention of monies in the fund would result in an increase in accrued liabilities. Consequently, this provision of the bill is not expected to impact the actuarial soundness of the Fire and Police Member's Benefit Fund.

State Appropriations

No new state appropriations are needed to implement the bill in FY 2003-04.

Departments Contacted

Local Affairs

Treasury