

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0065

Date: July 23, 2012

Prime Sponsor(s): Rep. Peniston
Sen. Tochtrop

Bill Status: Signed into Law

Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE AUTHORITY OF THE BOARD OF THE FIRE AND POLICE PENSION ASSOCIATION TO MAKE AMENDMENTS TO PLANS FOR THE ADMINISTRATION OF BENEFITS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: The bill was signed into law by the Governor on March 24, 2012, and takes effect August 8, 2012, assuming no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None - the bill concerns only administration of benefits by the FPPA.		

Summary of Legislation

This bill was recommended by the Police Officers' and Firefighters' Pension Reform Commission, a legislative committee, during the 2011 interim.

The bill allows the board of the Colorado Fire and Police Pension Association (FPPA) to vote to approve amendments concerning administrative aspects of benefit plans. Under current law, the FPPA board must coordinate amendments to benefit plans with member agencies, under limited circumstances, or seek approval from all plan members, or in other circumstances seek legislation. Under current law, the process for amending different plans also varies by plan, another barrier to achieving uniformity across plans. Under the bill, the FPPA board may approve plan amendments that it deems prudent and necessary to administer benefits consistently and uniformly across the defined benefit system, or to comply with state or federal law. Plan amendments must result in no actuarial cost and no deliberate adjustment to the normal benefit amount.

Background

The FPPA is a statutory, independent political subdivision of the state of Colorado. The association administers both old- and new-hire pension plans (for all police and fire employees hired before and after January 1, 1980, respectively) and associated benefits, such as the statewide death and disability benefit. Municipalities, fire protection districts, and improvement districts with plan members contribute to FPPA-maintained trust funds based on periodic actuarial assessments.

Statutory Public Entity Impact

The bill is likely to result in interdeterminate savings to the FPPA due to greater efficiency in the administration of plans.

Under current law, the cost of pursuing administrative changes to promote efficiencies could cost several thousand dollars for printing and mailing costs per election for each plan administered by the FPPA. These costs have precluded the association from pursuing the efficiencies to be gained by adopting uniform approaches to administration across all plans. At the same time, changes to state and federal law create compliance issues with certain plans. For example, changes in domestic relations law (e.g., divorce, custody, guardianship) may conflict with current plan rules for the designation of beneficiaries. Under current law, the FPPA will likely need to pursue individual plan amendments given the changing legal environment.

Under the bill, the FPPA can avoid the costs of individual plan elections to make plan amendments. The efficiency of uniform plan administration across all plans will offset any costs to prepare amendments for board approval.

Departments Contacted

Local Affairs