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Title: Fire and Police Pension Association (FPPA) Employer Election Regarding Member Contributions to the Fire Statewide Defined Benefit Plan

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Fire and Police Pension Association (FPPA) Employer Election Regarding Member Contributions to the Fire Statewide Defined Benefit Plan

From:
Kara Skinner, Chief Financial Officer

Summary:
City sworn employees hired on or after October 1, 2006 and 190 plan transferees are Members of the FPPA SWDB Plan. During the month of June 2014, the active Members in the SWDB Plan had an opportunity to vote on two proposals with respect to increasing the Member contribution rate to the SWDB Plan. Members voted in favor of the Primary Proposal (68% approval), to increase the Member contribution rate to the SWDB Plan by 4%, phased in at ½% per year over 8 years.

The process now provides for an Employer Election on the Primary Proposal.

Employers vote by submitting to FPPA a resolution from the city council or district board indicating whether or not the Employer supports the proposed change. The election packet was mailed to the City on July 11, 2014 and received on July 14. The Employer vote must be received by FPPA no later than August 22, 2014, at 4 pm to be counted.

Employers are not required to vote. The Employer election will pass if a majority of those Employers voting in the Employer election approve the proposal. Employers that have both active firefighters and police officers who participate in the SWDB Plan get one vote for each department; therefore, FPPA will look for two resolutions to be submitted from the City of Colorado Springs. Currently there are 215 departments represented in the SWDB Plan - 29 of which have not active members so do not have a vote.

Previous Council Action:

On September 12, 2006, City Council approved Resolution No. 145-06, which authorized the City Manager to enter into an agreement with the Fire and Police Pension Association of Colorado (FPPA) merging the Alternate Firefighter's Pension Plan and the Alternate Police Pension Plan into the Defined Benefit system maintained and administered by FPPA, collectively referred to as the Colorado Springs New Hire Pension Plan (CSNHPP) and closed the CSNHPP to new Members. Sworn employees hired on or after October 1, 2006 are Members of the SWDB Plan.

On August 14, 2007, City Council approved Resolution No. 145-07, which approved the transfer of 110 Members of the CSNHPP to the SWDB Plan.

On October 11, 2011, City Council approved Resolution No. 174-11, which approved the transfer of 80 Members of the CSNHPP to the SWDB Plan.

Background:

Per the FPPA Questions & Answers document:

“A task force of members from across the State began meeting in 2011 and came up with the proposal following several meetings studying the plan. FPPA staff and Board members as well as investment and actuarial professionals provided information for consideration.

FPPA has always taken a proactive approach to help ensure that all Statewide plans remain sound. Following the financial crisis of 2008 and the review of subsequent actuarial studies a task force of members met with FPPA staff, board members and actuarial and investment professionals to review the SWDB Plan and determine what actions, if any would be prudent to help ensure that the plan remained sound and that meaningful benefit adjustment increases (formerly called cost-of-living-adjustments or COLAs) for retirees could be affordable now and into the future. After much study and discussion, the proposal mentioned in Question 3 was recommended to the full FPPA Board. The Board, as fiduciaries of the plan, accepted the task force's recommendation and supports this proposal.

The phased in approach (1/2% per year over 8 years) was recommended in an effort to make this change financially manageable for members and their families.

The FPPA Board of Directors directed staff to conduct a statewide election on this matter.”

Financial Implications:

Per the 2013 FPPA CAFR, the SWDB Plan is 97.9% funded. There is no impact to the Employer contribution rate to the SWDB Plan. The added funding from the increase in the Member contribution rate may increase the Plan's ability to pay retirees more meaningful benefit adjustments (COLA's) and reduce the likelihood that future benefits will need to roll back or further contribution rate increases will be needed.

Board/Commission Recommendation:

On February 27, 2014, the FPPA Board of Directors approved Resolution 2014-03 which endorsed a Member contribution increase at the rate of 4% of base salary, to be implemented incrementally over eight years.

The Police Pension Association supports the increase and requests passage of the resolution.

Local 5 Firefighter's Association supports the will of the participating members that have voted to increase employee contributions to fortify their existing retirement plan.

Stakeholder Process:

The FPPA communicated with the Members in a variety of ways over the past two years with respect to the task force proposal, including establishing a site on the FPPA website entitled "Election Central". FPPA produced a number of documents and held regional meetings.

The Colorado Springs Fire Department (CSFD) and Colorado Springs Police Department (CSPD) have had representatives on the FPPA member task force since its inception, and have communicated extensively over the past two years with CSFD and CSPD SWDB members to educate them on the election and its financial impacts and benefits.

The CSFD and CSPD SWDB members approved the 4% increase by a margin of 69% and 70%, respectively. This contribution rate increase is the sole responsibility of the members, and has no impact on the current or future 8% contribution rate of the City (employer).

Alternatives:

- (1) Revise the resolutions stating the City of Colorado Springs votes against increasing the Member contribution rate for the Statewide Defined Benefit Plan, by an additional 4% of base salary paid.
- (2) Do not pass resolutions either in favor or against the proposal, thereby not participate in the Employer election.

Proposed Motion:

Move approval of the attached resolution to vote in favor of increasing the Member contribution rate for the Statewide Defined Benefit Plan, by an additional 4% of base salary paid.

N/A