



**CASTLE ROCK POLICE DEPARTMENT**



# **FIRE & POLICE PENSION ASSOCIATION (FPPA)**

## **STATEWIDE DEFINED BENEFIT PLAN (SWDB)**

July 21, 2020



# TONIGHT'S DISCUSSION

Discussion/Direction: Consideration of Police Officers to participate in the **Fire & Police Pension Association (FPPA) Statewide Defined Benefit (SWDB)** plan.

# SWORN CONSIDERATIONS

## IMPORTANT TO OFFER THE FPPA DEFINED BENEFIT PLAN TO OUR OFFICERS.

- Attract and retain good police officers.
- Officers perform both physically and mentally demanding capabilities to the highest standards expected by our community.
- Provides defined benefit plan as offered to Castle Rock Fire and over 200 police and fire agencies statewide.
- Affiliation with FPPA is a good move for eligible employees of the Castle Rock Police Department (current and future employees).

# CURRENT RETIREMENT PROGRAMS

## TWO RETIREMENT PLANS CURRENTLY PROVIDED BY TOWN

- Fire service personnel participate in [FPPA Statewide Defined Benefit plan \(SWDB\)](#)
- All other Town employees participate in International City/County Management Retirement Corporation ([ICMA-RC](#)) defined contribution

## IMPORTANT TO NOTE

- As part of the arrangement with Fire, the Town does not pay into Social Security (FICA) for Fire staff.
- All other employees and the Town pay into Social Security as required by law.

# POLICE OFFICER OPPORTUNITY

## SWORN EMPLOYEES ELIGIBLE TO JOIN SWDB PLAN

- This specific plan was not previously offered.

## IMPORTANT TO NOTE

- PD is unable to legally exempt out of Social Security.
- If current PD members *choose* to participate in FPPA's SWDB program, this becomes their primary Town retirement vehicle (no longer participates in the current ICMA-RC).

# ABOUT FPPA

## STATEWIDE FPPA RETIREMENT PLAN IN EXISTENCE SINCE 1980

- Considered financially sound (as of January 2020):
  - Preliminary Actuarial Valuation: 97.6% funding ratio
  - Overall asset base of over \$5 billion
- Over 200 police and fire jurisdictions participate in the Statewide Defined Benefit Plan (including Castle Rock Fire & Rescue)
- Comparable benchmark law enforcement jurisdictions currently participating:
  - Brighton
  - Englewood
  - Lone Tree
  - Parker



# QUESTIONS

# CONTRIBUTION AMOUNTS

## CURRENT ELIGIBLE EMPLOYEES CONTRIBUTION

- **Police officers** contribute total of 13.25% (ICMA-RC)
  - 5.60 % – ICMA-RC Retirement (pre-tax)
  - 6.20 % – Social Security
  - 1.45 % – Medicare
- **Town** contributes total of 16.25% (ICMA-RC)
  - 8.60 % – ICMA-RC Retirement (pre-tax)
  - 6.20 % – Social Security
  - 1.45 % – Medicare



# IF CRPD JOINS FPPA

## CONTRIBUTION AMOUNTS (2021)

- **Police officers** contribute total of 20.85% (FPPA)
  - 11.50 % – FPPA Retirement (pre-tax); increases to 12% by 2022
  - 1.70 % – Affiliation fee
  - 6.20 % – Social Security
  - 1.45 % – Medicare
- **Town** contributes total of 17.85% (FPPA)
  - 8.50 % – FPPA Retirement (pre-tax); increases to 13% by 2030\*
  - 1.70 % – Affiliation Fee
  - 6.20 % – Social Security
  - 1.45 % – Medicare
- **\*HB 20-1044** requires Town increases (beginning in 2021)
  - **Town FPPA contributions** increase 0.5% each year to 12% by 2028
  - **Rule 80** – Town contributions increase an additional 0.5% to 13% by 2030

# AFFILIATION FEE (3.4%)

- **Fee is required of all new departments in the FPPA plan**
  - Contribution rate differential (suggested by actuary) to ensure current FPPA members are not subsidizing the new members
  - On average, employees are more experienced and closer to retirement
  - FPPA re-evaluates the fee on second anniversary of plan's effective date
    - Will adjust if needed
    - Fee may stay the same or decrease
    - Fee will not increase

# NEXT STEPS

- If approved, prepare a Resolution for Council consideration approving Castle Rock Police officers the option to participate in the Fire and Police Pension Association.
- This Resolution would provide notice to FPPA of intent to move forward with offering eligible police officers to participate in the plan.
  - The Resolution is not binding until first contribution is received

# THE PROCESS

- **If the Town adopts the Resolution authorizing FPPA participation for PD:**
  - Town files a non-binding Resolution
    - Designates the plan
    - Future sworn hires (on or after plan's effective date) join FPPA
    - Once Certification of Compliance is filed, the Resolution becomes irrevocable
  - Educational meetings for current active members
    - Eligible members decide whether to continue ICMA-RC or move to FPPA
    - If Castle Rock Police joins FPPA, it becomes mandatory for NEW employees

# BUDGET IMPACT

- **Staff conducted analysis assuming all eligible employees (80 sworn) elect to participate**
  - Increased cost compared to current ICMA-RC plan is approx. \$176,778 (2021)
  - Increases each year (due to mandatory 0.5% increase) until 2030
  - If proposal is approved by Town Council, implementation date would be first quarter 2021.



# QUESTIONS



# STAFF RECOMMENDATION

It is recommended that Council approve staff to prepare a Resolution authorizing eligible police officers to participate in the FPPA Statewide Defined Benefit (SWDB) plan.



# PROPOSED MOTION

*"I move to direct staff to prepare a Resolution authorizing the Town of Castle Rock to offer eligible police officers retirement benefits under the FPPA Statewide Defined Benefit plan."*