

## Legislation Text

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**File #:** Resolution 18-2018, **Version:** 1

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Agenda Date: 3/20/2018

**Subject:**

A resolution requesting coverage under the FPPA Defined Benefit System for police officers for the City of Littleton

Presented By: Tiffany Hooten, Finance Director & Doug Stephens, Police Chief
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**REQUESTED COUNCIL ACTION:**

Does city council approve the non-binding resolution to formally begin the partial re-entry process to the Fire and Police Pension Association (FPPA) Defined Benefit System for sworn Littleton Police Department (LPD) personnel?

**BACKGROUND:**

During a council study session on February 6, 2018, staff presented information related to the conversion of sworn personnel of the Littleton Police Department from the ICMA-RC Money Purchase Plan to the FPPA Defined Benefit System. At the conclusion of the study session, council directed staff to proceed with the first step of the process for partial re-entry of LPD sworn personnel into the FPPA Defined Benefit System.

This resolution is the first step in a process established by state statutes and the FPPA rules and regulations regarding the re-entry of active LPD sworn personnel, and new LPD sworn personnel hired on or after October 14, 2018 (Effective Date). As a partial re-entry into the FPPA plan, current LPD officers may elect to be covered under the FPPA Defined Benefit System, but new LPD officers hired on or after the effective date would be required to enroll in the FPPA's Statewide Defined Benefit Plan.

To implement re-entry effective October 14, 2018, the city council must approve this non-binding resolution establishing the city's intent to enter the FPPA Defined Benefit System. If this resolution is approved, staff will complete the list of steps necessary for re-entry, with the final step in the process being the completion of the Certification of Compliance (September, 2018). The Certification of Compliance makes the decision to re-enter the FPPA Defined Benefit System binding and irrevocable for future police officers and current officers who elected to participate in the FPPA plan.

**PRIOR ACTIONS OR DISCUSSIONS:**

At its February 6, 2018 study session, council reviewed the FPPA plan.

**STAFF ANALYSIS:**

As previously discussed at the study session, there are some additional risks to the city above that of our current defined contribution plan with ICMA. With FPPA, the city would lose policy control for employer contributions to the State Legislature, and thus increase the city's financial risk exposure. In addition, the city would lose decision-making control to the FPPA board and would lose plan forfeitures with FPPA. Depending

on the actual number of employees that were to move to FPPA, there could be a change in the administrative fees for the current ICMA plan participants. While these may be additional risks to the city, staff believes they are very manageable due in large part to the strong financial management of FPPA.

Perhaps the most significant issue driving this policy decision is that other police departments in the Denver Metro area are moving towards FPPA. The City Manager's Office, the Human Resources Department and specifically LPD Chief Stephens have determined that the FPPA plan is an essential component of LPD's recruiting and retention efforts. Without this move to FPPA, the department will be at a significant disadvantage in the recruiting and retention of qualified personnel.

#### **OPTIONS/ALTERNATIVES:**

1. Approve the resolution to begin the process of reentry into the FPPA Defined Benefit System.
2. Do not approve the resolution and continue to offer the ICMA-RC Money Purchase Plan.

#### **FISCAL IMPACTS:**

Potential fiscal impacts resulting from this proposal come in two forms: increased required contributions for current employees offset by a reduction in 457 contributions, and lower required contributions for new hires. In addition, there may be cost savings if employees participate in the Deferred Retirement (DROP) option, a benefit that would stop city contributions up to five years prior to retirement for eligible employees.

#### **FPPA Statewide Defined Benefit Plan Contributions by Year:**

<b>Year</b>	<b>Reentry Employee Contributions</b>	<b>Reentry COL Contributions</b>	<b>Total Reentry Contributions</b>	<b>New Hire Employee Contributions</b>	<b>New Hire COL Contributions</b>	<b>Total New Hire Contributions</b>
<b>2018</b>	10.0%	12.0%	22.0%	10.0%	8.0%	18.0%
<b>2019</b>	10.5%	12.0%	22.5%	10.5%	8.0%	18.5%
<b>2020</b>	11.0%	12.0%	23.0%	11.0%	8.0%	19.0%
<b>2021</b>	11.5%	12.0%	23.5%	11.5%	8.0%	19.5%
<b>2022</b>	12.0%	12.0%	24.0%	12.0%	8.0%	20.0%

#### Current Employees

The required contribution will move from a total of 20% (with an even split of 10% each between the city and the employee), to 22% for current, or re-entry as FPPA terms them, employees. The additional 2% contribution will fall to the city. However, this will be offset by eliminating the current 2% 457 contribution for these employees.

#### New Hires

All new hires will be required to join FPPA and for 2018, will have a contribution of 18%, reducing the cities required contribution by 2%. For the average of seven new officers per year, this would equate to approximately \$7,000 in savings, increasing to approximately \$10,000 if lateral officers are hired.

#### Example

Using 2018 budgeted funds for the Police 457 match (\$108,215), if 100% of eligible officers switched to the FPPA plan at the beginning of 2018, the difference in expense to the city would be an additional \$25,192. The

chart below shows the approximate costs associated for the city's increase of 2% (12% total contribution) for FPPA reentry personnel:

**Cost of 2% Increase to City Contributions for FPPA**

<b>FPPA Reentry Officers</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
100%	\$25,192	\$26,073	\$26,986	\$27,931	\$28,909
75%*	\$18,894	\$19,554	\$20,239	\$20,948	\$21,681
50%	\$12,596	\$13,037	\$13,493	\$13,966	\$14,455
25%	\$6,298	\$6,518	\$6,747	\$6,983	\$7,227

\*Agencies recently completing re-entry process report ave. enrollment rate of approx.75% of eligible personnel.

**STAFF RECOMMENDATION:**

Staff recommends approval of the resolution requesting coverage under the FPPA Defined Benefit System.

**PROPOSED MOTION:**

I move to approve the resolution requesting coverage under the FPPA Defined Benefit System for new police officers for the City of Littleton.