

Second Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 14-0794.02 Nicole Myers x4326

SENATE BILL 14-214

SENATE SPONSORSHIP

Lambert and Steadman, Hodge

HOUSE SPONSORSHIP

Gerou and May, Duran

Senate Committees
Appropriations

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE STUDIES REQUESTED IN THE DEPARTMENT OF**
102 **PERSONNEL'S RESPONSE TO THE REQUEST FOR INFORMATION IN**
103 **THE FISCAL YEAR 2013-14 ANNUAL GENERAL APPROPRIATION**
104 **ACT, AND, IN CONNECTION THEREWITH, MAKING AN**
105 **APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/bills summaries>.)

Joint Budget Committee. The bill requires the state personnel

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
2nd Reading Unamended
May 1, 2014

director to contract with a third party compensation consulting firm with actuarial expertise and national standing to perform a total compensation study that includes the retirement benefits provided by the public employees' retirement association (PERA). The bill requires the state personnel director to submit to the governor and the joint budget committee, along with the annual compensation report, an addendum with the total compensation study that includes retirement benefits. The state personnel director is required to submit the addendum by January 15, 2015, and by January 15 every 8th year thereafter.

In addition to the study required by the state personnel director, the bill requires the state auditor, in cooperation with PERA, to contract with a nationally recognized and enrolled actuarial firm to conduct the following analyses of PERA:

- ! A comprehensive study comparing the cost and effectiveness of the current hybrid defined benefit plan design currently administered by PERA to alternative plan designs in both the public and private sector; and
- ! A sensitivity analysis to determine when, from an actuarial perspective, model assumptions are meeting targets and achieving sustainability.

The bill requires PERA and the state auditor to confer with the office of state planning and budgeting regarding the scope of the analyses required. The bill also requires PERA and the state auditor to provide 2 reports, by specified dates, detailing the findings of the studies to the governor, the joint budget committee, the legislative audit committee, and the finance committees of the senate and the house of representatives.

The bill requires PERA to provide access to official member information and data under a confidentiality agreement with the retained firms for all 3 studies. The bill also requires the state personnel director and the state auditor to notify the joint budget committee if they determine that the amount appropriated by the general assembly for the purposes of the applicable studies is insufficient to procure a vendor to complete the scope of the work required.

The bill makes the following appropriations for the 2014-15 state fiscal year for the implementation of the bill:

- ! Appropriates \$125,000 to the department of personnel from the general fund for vendor contract expenses.
- ! Appropriates \$375,000 to the legislative department from the general fund to be allocated to the office of the state auditor for vendor contract expenses.

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

2 **SECTION 1.** In Colorado Revised Statutes, 24-50-104, **add** (10)

1 as follows:

2 **24-50-104. Job evaluation and compensation - state employee**
3 **reserve fund - created - definitions. (10) Total compensation study**
4 **including retirement benefits.** (a) BY JANUARY 15, 2015, AND BY
5 JANUARY 15 EVERY EIGHTH YEAR THEREAFTER, THE STATE PERSONNEL
6 DIRECTOR SHALL SUBMIT TO THE GOVERNOR AND THE JOINT BUDGET
7 COMMITTEE, ALONG WITH THE ANNUAL COMPENSATION REPORT REQUIRED
8 PURSUANT TO PARAGRAPH (b) OF SUBSECTION (4) OF THIS SECTION, AN
9 ADDENDUM WITH A TOTAL COMPENSATION STUDY THAT INCLUDES
10 RETIREMENT BENEFITS.

11 (b) THE STATE PERSONNEL DIRECTOR SHALL CONTRACT WITH A
12 THIRD PARTY COMPENSATION CONSULTING FIRM WITH ACTUARIAL
13 EXPERTISE AND NATIONAL STANDING TO PERFORM THE TOTAL
14 COMPENSATION STUDY THAT INCLUDES RETIREMENT BENEFITS REQUIRED
15 PURSUANT TO PARAGRAPH (a) OF THIS SUBSECTION (10). THE STUDY MUST
16 COMPARE TOTAL AND COMPONENT COSTS AND VALUES OF THE STATE'S
17 TOTAL COMPENSATION AGAINST SIMILAR WORKFORCE STRUCTURES,
18 INCLUDING PRIVATE COMPANIES AND OTHER STATES.

19 (c) FOR PURPOSES OF THE ADDENDUM TO THE ANNUAL
20 COMPENSATION REPORT REQUIRED PURSUANT TO THIS SUBSECTION (10),
21 THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION CREATED IN ARTICLE
22 51 OF THIS TITLE SHALL PROVIDE ACCESS TO OFFICIAL ASSOCIATION
23 MEMBER INFORMATION AND DATA UNDER A CONFIDENTIALITY AGREEMENT
24 WITH THE THIRD PARTY COMPENSATION CONSULTING FIRM.

25 (d) THE STATE PERSONNEL DIRECTOR SHALL NOTIFY THE JOINT
26 BUDGET COMMITTEE OF THE GENERAL ASSEMBLY IF HE OR SHE
27 DETERMINES THAT THE AMOUNT APPROPRIATED BY THE GENERAL

1 ASSEMBLY FOR THE PURPOSE OF THE STUDY REQUIRED PURSUANT TO THIS
2 SUBSECTION (10) IS INSUFFICIENT TO PROCURE A VENDOR TO COMPLETE
3 THE SCOPE OF THE WORK REQUIRED.

4 **SECTION 2.** In Colorado Revised Statutes, 24-51-614, **add** (4),
5 (5), (6), and (7) as follows:

6 **24-51-614. Employee retirement benefit study.** (4) (a) THE
7 STATE AUDITOR, WITH THE CONCURRENCE OF THE ASSOCIATION, SHALL
8 RETAIN A NATIONALLY RECOGNIZED AND ENROLLED ACTUARIAL FIRM
9 WITH EXPERIENCE IN PUBLIC SECTOR PENSION PLANS TO CONDUCT THE
10 STUDIES DESCRIBED IN SUBSECTIONS (5) AND (6) OF THIS SECTION. THE
11 STATE AUDITOR SHALL ADMINISTER A REQUEST FOR PROPOSALS PROCESS
12 AND SOLICIT INDEPENDENT THIRD-PARTY FIRMS WITH THE NECESSARY
13 CREDENTIALS TO BID FOR PERFORMANCE OF THE STUDIES. THE STATE
14 AUDITOR SHALL SELECT A FIRM THAT HAS A HISTORY OF UNBIASED
15 PEER-REVIEWED RESULTS AND SHALL NOT SELECT A FIRM THAT HAS A
16 KNOWN CONFLICT OF INTEREST THAT MAY INTERFERE WITH ITS ABILITY TO
17 PRODUCE AN OBJECTIVE REPORT. ANY FIRM THAT RESPONDS TO THE
18 REQUEST FOR PROPOSALS SHALL DISCLOSE ANY ASSOCIATION THAT IT HAD
19 OR CURRENTLY HAS WITH A BIASED GROUP. THE STATE AUDITOR AND THE
20 ASSOCIATION MAY RETAIN ONE FIRM TO CONDUCT BOTH STUDIES
21 REQUIRED PURSUANT TO SUBSECTIONS (5) AND (6) OF THIS SECTION OR
22 MAY RETAIN A SEPARATE FIRM TO CONDUCT EACH STUDY. IF THE STATE
23 AUDITOR AND THE ASSOCIATION DO NOT CONCUR REGARDING THE
24 SELECTION OF THE FIRM OR FIRMS BY OCTOBER 1, 2014, THE STATE
25 AUDITOR SHALL RETAIN THE FIRM OR FIRMS PREFERRED BY THE STATE
26 AUDITOR. THE STATE AUDITOR SHALL ENTER INTO A CONTRACT WITH THE
27 SELECTED FIRM OR FIRMS BY OCTOBER 31, 2014.

1 (b) THE STATE AUDITOR AND THE ASSOCIATION SHALL CONFER
2 WITH THE OFFICE OF STATE PLANNING AND BUDGETING TO DETERMINE THE
3 SCOPE OF THE STUDY REQUIRED BY SUBSECTION (5) OF THIS SECTION AND
4 THE ANALYSIS REQUIRED BY SUBSECTION (6) OF THIS SECTION.

5 (5) (a) THE FIRM SELECTED PURSUANT TO SUBSECTION (4) OF THIS
6 SECTION SHALL PERFORM A COMPREHENSIVE STUDY COMPARING THE COST
7 AND EFFECTIVENESS OF THE CURRENT HYBRID DEFINED BENEFIT PLAN
8 DESIGN ESTABLISHED IN THIS ARTICLE TO ALTERNATIVE PLAN DESIGNS IN
9 THE PUBLIC AND PRIVATE SECTOR. THE STUDY MUST INCLUDE THE
10 FOLLOWING:

11 (I) A COMPARISON OF THE BENEFITS, COST, AND PORTABILITY OF
12 BENEFITS PROVIDED BY THE ASSOCIATION IN ITS CURRENT PLAN DESIGN
13 WITH THE BENEFITS, COST, AND PORTABILITY OF BENEFITS PROVIDED BY
14 ALTERNATIVE PLAN DESIGNS;

15 (II) A COMPARISON OF THE CURRENT PLAN DESIGN TO OTHER
16 STATEWIDE PLANS, PRIVATE SECTOR RETIREMENT PLANS, AND ANY OTHER
17 APPROPRIATE PLANS AS DETERMINED BY THE ASSOCIATION AND THE
18 OFFICE OF THE STATE AUDITOR;

19 (III) AN ANALYSIS OF THE COST TO EMPLOYEES AND EMPLOYERS
20 THAT WOULD BE INCURRED BY TRANSITIONING FROM THE CURRENT PLAN
21 DESIGN ADMINISTERED BY THE ASSOCIATION TO ALTERNATIVE PLAN
22 DESIGNS;

23 (IV) THE IMPACT THAT A CHANGE FROM THE CURRENT PLAN
24 DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON EXPECTED
25 RETIREMENT BENEFITS FOR CURRENT AND FUTURE RETIREES OF THE
26 ASSOCIATION;

27 (V) THE INCREMENTAL IMPACTS THAT A CHANGE FROM THE

1 CURRENT PLAN DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON
2 THE ASSOCIATION'S ABILITY TO FULLY AMORTIZE THE UNFUNDED
3 ACTUARIAL ACCRUED LIABILITY OF EACH DIVISION OF THE ASSOCIATION;
4 AND

5 (VI) THE IMPACT THAT A CHANGE FROM THE CURRENT PLAN
6 DESIGN TO ALTERNATIVE PLAN DESIGNS WOULD HAVE ON EMPLOYERS AND
7 TAXPAYERS RELATIVE TO THE PLAN DESIGN CURRENTLY SPECIFIED IN LAW.

8 (b) ON OR BEFORE JULY 15, 2015, THE ASSOCIATION AND THE
9 OFFICE OF THE STATE AUDITOR SHALL DELIVER A REPORT DETAILING THE
10 FINDINGS OF THE STUDY CONDUCTED PURSUANT TO THIS SUBSECTION (5)
11 TO THE OFFICE OF THE GOVERNOR, THE JOINT BUDGET COMMITTEE, THE
12 LEGISLATIVE AUDIT COMMITTEE, AND THE FINANCE COMMITTEES OF THE
13 SENATE AND THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR
14 COMMITTEES.

15 (6) (a) THE FIRM SELECTED PURSUANT TO SUBSECTION (4) OF THIS
16 SECTION SHALL PERFORM A SENSITIVITY ANALYSIS TO DETERMINE WHEN,
17 FROM AN ACTUARIAL PERSPECTIVE, MODEL ASSUMPTIONS ARE MEETING
18 TARGETS AND ACHIEVING SUSTAINABILITY. IN FURTHERANCE OF MAKING
19 THIS DETERMINATION, THE FIRM SHALL EXAMINE THE DATA THAT THE
20 ASSOCIATION CURRENTLY COLLECTS.

21 (b) ON OR BEFORE DECEMBER 1, 2015, THE ASSOCIATION AND THE
22 OFFICE OF THE STATE AUDITOR SHALL DELIVER A REPORT DETAILING THE
23 FINDINGS OF THE STUDY CONDUCTED PURSUANT TO THIS SUBSECTION (6)
24 TO THE OFFICE OF THE GOVERNOR, THE JOINT BUDGET COMMITTEE, THE
25 LEGISLATIVE AUDIT COMMITTEE, AND THE FINANCE COMMITTEES OF THE
26 SENATE AND THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR
27 COMMITTEES.

1 (7) FOR PURPOSES OF THE STUDIES REQUIRED BY SUBSECTIONS (5)
2 AND (6) OF THIS SECTION, THE ASSOCIATION SHALL PROVIDE ACCESS TO
3 OFFICIAL MEMBER INFORMATION AND DATA UNDER A CONFIDENTIALITY
4 AGREEMENT WITH THE RETAINED ACTUARIAL FIRM OR FIRMS.

5 (8) THE STATE AUDITOR SHALL NOTIFY THE JOINT BUDGET
6 COMMITTEE OF THE GENERAL ASSEMBLY IF HE OR SHE DETERMINES THAT
7 THE AMOUNT APPROPRIATED BY THE GENERAL ASSEMBLY FOR THE
8 PURPOSE OF THE STUDIES REQUIRED BY SUBSECTIONS (5) AND (6) OF THIS
9 SECTION IS INSUFFICIENT TO PROCURE A VENDOR TO COMPLETE THE SCOPE
10 OF THE WORK REQUIRED.

11 **SECTION 3. Appropriation.** (1) In addition to any other
12 appropriation, there is hereby appropriated, out of any moneys in the
13 general fund, not otherwise appropriated, to the department of personnel,
14 for the fiscal year beginning July 1, 2014, the sum of \$125,000, or so
15 much thereof as may be necessary, to be allocated to the division of
16 human resources, human resource services, state agency services, total
17 compensation and employee engagement surveys, for the implementation
18 of this act for vendor contract expenses.

19 (2) In addition to any other appropriation, there is hereby
20 appropriated, out of any moneys in the general fund, not otherwise
21 appropriated, to the legislative department, for the fiscal year beginning
22 July 1, 2014, the sum of \$375,000, or so much thereof as may be
23 necessary, to be allocated to the office of the state auditor for the
24 implementation of this act for vendor contract expenses.

25 **SECTION 4. Safety clause.** The general assembly hereby finds,
26 determines, and declares that this act is necessary for the immediate
27 preservation of the public peace, health, and safety.