



## COLORADO

### Office of the State Controller

Department of Personnel  
& Administration

Reporting and Analysis Unit  
1525 Sherman St.  
Denver, CO 80203

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Fire and Police Pension Association  
5290 DTC Parkway, Suite 100  
Greenwood Village, Colorado 80111

You asked whether the State's contribution to the volunteer fire pension plans triggers specific reporting requirements under GASB Statement No. 68. Based on our analysis below, the State contribution will continue to be treated as a supplemental discretionary payment and will not result in additional plan reporting to the State.

The Office of the State Controller is in the process of evaluating the impact of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 on the State of Colorado's financial statements for implementation in Fiscal Year 2014-15. The State of Colorado has historically provided funding to the Fire and Police Pension Association for old hire pension plans and volunteer firefighter plans. With Senate Bill 13-234, the State fulfilled its commitment to the old hire pension plans, but intends to continue contributions to the volunteer firefighter plans. As a result, the State's contribution to the volunteer firefighter plans has been evaluated to determine if it qualifies as a special funding situation under the standard. If the State's contribution qualifies as a special funding situation, the State, as a nonemployer contributing entity, must report a proportionate share of the collective net pension liability for the volunteer firefighter plans in its financial statements.

A special funding situation exists when certain conditions are met that substantially indicate that the nonemployer contributing entity is legally responsible for the current and future obligations of the plan. The standard, in paragraphs 15 and 16, addresses the facts to consider when evaluating a potential special funding situation. When contributions of the nonemployer entity are made directly to the plan and either one of the following conditions exists, the relationship qualifies as a special funding situation:

- Contributions are based on events or circumstances related to the plan.
- Contributions of the nonemployer entity are the only contributions to the plan.

The State provides funding directly to the Fire and Police Pension Association through the Department of Local Affairs for volunteer firefighter pension contributions. The State is not the only contributor to these plans, which results in the contribution basis as the remaining factor to consider.



The State's contribution is based on the statutory formula outlined in C.R.S. 31-30-1112(2). The formula requires a contribution of ninety percent of the local contribution capped at one-half mill based on the previous years' net property valuation. As a result of the cap based on local property values, the contribution is not directly tied to the obligations of the plan. In order to be based on events of the plan, the contribution relationship must be direct, such as a contribution based on a percentage of covered payroll. Additionally, the contributions provisions are subject to change. Under the existing statutes, the requirements triggering a special funding have not been met. The State will continue to disclose its contribution to the Fire and Police Pension Association as related party activity, but will not record a share of the volunteer firefighter plans net collective pension liability in its financial statements.

Sincerely,



Robert Jaros, CPA, MDA, JD  
Colorado State Controller

