

FPPA Pension CHECK

A review of your retirement benefits.

Spring 2000

Benefit Vote Is Now Underway

*Statewide
Defined Benefit
"New Hire" Plan*



FPPA is submitting to employers and active plan members one proposed amendment to the Statewide Defined Benefit "New Hire" Plan. An election is now being held to determine whether the proposed amendment will be adopted.

The Current Plan

Prior to reaching age 55, the current plan allows a member to accrue pension benefits for no more than 25 years of service. The maximum retirement benefit that can be accrued prior to age 55 is 50% of the average of the member's three highest years' base salary. After reaching age 55 and having 25 years of service, the current plan provides an additional 2% per year of service, up to a maximum benefit of 70%.

The Proposed Amendment

This amendment would provide a benefit for all years of service. Specifically, this amendment would give a 2% benefit for each year of service for the first ten years, then a 2.5% benefit for each year of service thereafter. This increased benefit accrual formula applies to both normal and vested retirement benefits.

Who votes?

All "New Hire" police officers and firefighters (hired on or after April 8, 1978) covered by the Statewide Defined Benefit Plan and their employers are eligible to vote. For all active members of the Statewide Defined Benefit Plan, this special election represents your third opportunity in history to change some of your future pension benefits. Active and retired old hire members of local pension plans and members of money purchase plans are unaffected by the election and will not participate. Additionally, retired members already receiving benefits under the Statewide Defined Benefit Plan do not vote, as their benefits will not change regardless of the outcome of the election.

When you receive the ballot, first study the explanation of the change and decide if the proposed change applies to your specific situation. Also think about how the cost associated with the change would be of value to you. Then decide how you would vote.

Employers will vote by virtue of a resolution or ordinance adopted by the governing body of the municipality or special district. Each employer shall also be responsible for conducting the election within the time frame and according to the administrative procedures previously adopted by the FPPA Board of Directors. FPPA has sent employers a packet of all of the materials needed to conduct the voting. Official ballots and a "disclosure statement" fully explaining the proposed amendments are also distributed to eligible voters by the employer.

Through this election, members and their employers may elect the proposed change. In order for the proposed change to be adopted, the proposed amendment **MUST** be approved by 65% of the members **AND** more than 50% of new hire employers. If you think that your vote does not count or that your department of a few people couldn't possibly matter in the big picture... think again. When the amendment information comes to you - read it - study it - and then vote on it.

Any costs attributable to the adoption of this amendment will **not** increase payroll deductions or the required contributions to the Statewide Defined Benefit Plan. Instead, future amounts contributed to the members' SRA accounts would be reduced in order to pay for the costs associated with the amendment, if it passes. Current SRA account balances will not be affected by the amendment.

If approved, the effective date of Amendment One will be January 1, 2001. **FPPA**

Legislative News

2000
Legislative
Session

This year marked another successful legislative session for FPPA, as all five of FPPA's bills passed both houses of the General Assembly in record time. The Governor signed the bills on March 14, 2000, and they will become effective ninety (90) days after final adjournment of the General Assembly. All bills passed unanimously in both houses with the exception of HB 1022, which had one "no" vote from Rep. Pfiffner.

Members of the **Statewide Defined Benefit Plan** will be affected by **HB 1006**, which prevents members' separate retirement accounts ("SRA's") from being used to help fund the Statewide Death and Disability Plan. While members' SRA's have never been tapped for this purpose in the past, the possibility existed under state law. Now that the Statewide Death and Disability Plan is fully funded, there is no need to pledge members' SRA's as security for the Plan.

HB 1022 has created new options for increasing contributions to the **Statewide Money Purchase Plan**. First, the bill offers a local option for employers to increase mandatory contribution rates for employers, employees or both – subject to approval by 65% of the employer's active members of the plan. The bill also allows the Statewide Money Purchase Plan to accept voluntary contributions from employers and/or members. Voluntary contributions must be made by payroll deduction. They are not subject to employer pick-up provisions and are "after-tax" contributions. All contributions to the Statewide Money Purchase Plan are subject to the limit on annual additions under the Internal Revenue Code. For 2000, this limit is \$30,000 or 25% of compensation, whichever is less.

HB 1018 also affects the **Statewide Money Purchase Plan** in that it clarifies the standard of care applicable to the FPPA Board. This law recognizes that the Board is governed by the Uniform Prudent Investor Act only with respect to those assets allocated by participants to the Fire and Police Members' Benefit Fund, or "total fund." The Statewide Money Purchase Plan is a defined contribution plan in which participants decide how to allocate their retirement funds among the investment options offered by the Plan. HB 1018 clarifies that a member is not deemed a fiduciary by reason of exercising control over assets in the member's account. The bill further recognizes that the Board is not liable for losses caused by the participant's exercise of control. The Board retains its duties with respect to selecting and monitoring the investment alternatives offered to participants.

Employers joining the **Statewide Defined Benefit Plan** for the first time may be entitled to some relief under **HB 1005** if, for example, they paid erroneously into the federal social security system prior to joining FPPA. HB 1005 gives the Board of Directors the ability to waive the statutory interest charge (one-half of one percent per month) for new accounts in hardship cases, subject to rules promulgated by the Board. The Board will promulgate rules at its annual rulemaking in August.

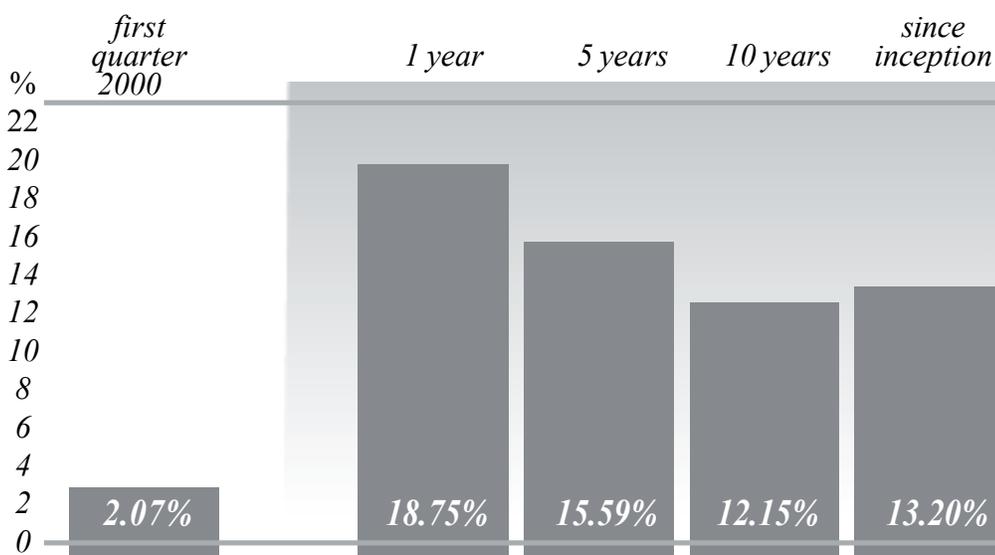
HB 1017 involved a technical amendment to the **Statewide Death and Disability Plan**. The bill restored an omitted cross-reference in order to make the plan consistent with the way it has always been administered.

Other Legislation Of Interest

The **volunteer firefighters** pursued one bill this session, **HB 1080**. This bill slightly modifies the investment authority for the pension fund. A reference to the "prudent man" standard for investments is being changed to a reference to the Uniform Prudent Investor Act, which incorporates modern portfolio theory. This bill became effective with the signature of the Governor on April 4, 2000.

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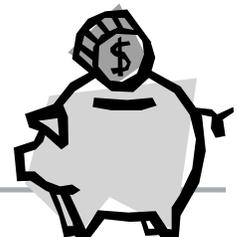
Finally, members of the Joint Budget Committee sponsored **SB 187**, which repeals the authority of the State Treasurer to issue pension obligation notes to “refinance” state assistance to **old hire plans** with unfunded liabilities. Projections by FPPA’s actuaries estimated that with future investment returns of 5% per year, state assistance to the old hire plans could possibly cease after the 2007 payment; with returns of 7.5%, after 2003; and with returns of 10%, after 2002. Further, FPPA’s actuaries estimated losses to the state, FPPA and the old hire plans if notes were issued under the State Treasurer’s plan and future returns did not exceed 7.5%. Based on this new information, the bill sponsors felt it was no longer prudent to pursue pension obligation notes. This bill was supported by the State Treasurer and became effective with the signature of the Governor on April 4, 2000. **FPPA**



As of March 31, 2000, FPPA's total assets exceeded \$2.64 billion.

Investment Returns

First Quarter 2000 and One, Five Ten, and Since Inception Rates Of Return



On January 1, 2000, FPPA began offering a new program for members of the Statewide (“new hire”) Defined Benefit Plan. FPPA members having prior public safety employment with a non-FPPA employer may be eligible to purchase service credit.

Public Safety employment is defined broadly for the service credit purchase program. It includes law enforcement officers, firefighters, rescue squad workers and ambulance crew members. It also includes employment that is primarily involved with services that are auxiliary to law enforcement or fire protection. Examples may include secretarial positions and other office support positions; civilian positions providing technical support services such as crime analysis, dispatch, and code enforcement; technical consultants to police and fire departments; private security personnel who are not required to carry firearms and have no arrest powers; and private investigators. Members may also purchase up to five years of military time.

If you are interested in purchasing service credit, please call FPPA for an application.

FPPA

Purchasing Service Credit

Statewide Defined Benefit Plan



FPPA Board of Directors

1999-2000 Term

Kris Gardner, Chair
Randy Atkinson, Vice Chairman

Ron Lappi
Ed Lujan

David McConnell
Ray Mitchell

Gary West

*As of April 20th two Board positions are vacant: one to represent Colorado municipal employers and one to represent special districts. Board members are appointed by the Governor and confirmed by the State Senate. **FPPA***

New Health Insurance Service Agency Named

Palladium Partners has been selected to coordinate various retiree health insurance plans for FPPA. Palladium offers a variety of individual and group health insurance programs for retired members of FPPA and their families. Retirees *over* or *under* age 65 may qualify for health insurance coverage with Palladium.

For more information about insurance plans provided by Palladium Partners and if you qualify for coverage, please call Mike Roberts, Employee Benefit Consultant, Palladium Partners, (303) 430-8300. **FPPA**

Seminar Update

*Financial Fitness
Seminar*

*Tuesday • May 23rd
6 - 9pm
Denver Marriott
Southeast*

This seminar will give you practical tools for calculating the size of your retirement nest egg. In this “hands on” workshop, you’ll actually be able to check your financial fitness by pulling together information based on your age and individual lifestyle. Don’t forget your calculator!

We are bringing in John Lickly, CFP and Vince Valentine, ChFC, CFS of Financial Formulas as special speakers for this seminar. They have 30 years of combined experience and knowledge of investment allocation, income tax strategies, insurance protection and retirement planning. John and Vince have a unique understanding of Police and Firefighter retirement plans and how to put your money to work for financial peace of mind.

For more information, call Gina McGrail at (303) 770-3772 or (800) 332-3772. **FPPA**
