

FPPA Pension CHECK

A review of your retirement benefits.

Summer 2001

The New Tax Laws

*How They
May Impact
Your Pension
Dollars*



The Economic Growth and Tax Relief Reconciliation Act of 2001, which was signed into law by President Bush on June 7, 2001, presents some new opportunities for FPPA members beginning in 2002. We have briefly outlined some of the changes in this article. In order to be implemented, these changes are subject to FPPA making necessary plan amendments and procedural changes. It is anticipated these changes will be implemented January 1, 2002.

New Service Credit Purchasing Options

- Members will be allowed to purchase service credit from FPPA with money from the following types of plans: 457 deferred compensation, rollover IRAs and/or money from tax qualified plans such as 401(k) and 401(a).

This tax law change now broadens the scope of acceptable plans available for FPPA members to either purchase service credit or rollover refunds from previous employers.

Defined Contribution 415 Limits Increased

- Section 415 of the Internal Revenue Code dictates the limits on the total amount of money a member may contribute to a defined contribution account from all sources combined, including any employer matching or profit-sharing contribution, and any employee after-tax contributions. For 2001, the maximum is the lesser of \$35,000 or 25 percent of your total compensation. For 2002, the maximum will be the lesser of \$40,000 or 100 percent of your total compensation.

This increase in limits is important because it allows about-to-retire members to purchase larger pieces of service credits with after tax money before reaching the annual limits. It also increases the amount that can be allocated to a member's account under a 401(a) plan with employer contributions.

Deferred Compensation Changes

- Members of 457 deferred compensation plans will be able to deduct \$11,000 per year, (increasing to \$15,000 by 2006). This amount is up from \$8,500 in 2001. In addition, for each of the three years prior to retirement, the catch-up becomes double the dollar limit. The 33 1/3% limit on 457 deferred compensation plan contributions also increases to 100% of compensation.
- Except for years in which members are eligible to make catch-up contributions, there will no longer be any difference between the amounts that members can deduct for contributions to 457 plans and to 401(k) plans.

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The New Tax Laws

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- The “coordination” limits of 457 and 401(k) are eliminated. This is a significant benefit to members. Under the prior law, members had to live with a limit on total contributions to all plans equal to the lowest limit on any given plan to which they contributed. Under this new rule, for the 2002 plan year, a member can contribute to each plan within that plan’s limit. For example, a member may deduct \$11,000 to a 457 plan *and also* deduct another \$11,000 to a grandfathered 401(k) plan.
- Employees age 50 and over can get a catch-up deduction of \$1,000 (increasing to \$5,000 by 2006) for contributions to each of a 457 plan and 401(k) plan. This special catch-up does not apply in the three years of the special 457 catch-up, but will apply for other years when the member is 50 or over.
- Members with an adjusted gross income below \$30,000, filing jointly can get a special tax credit of up to \$1,000 for contributing to a 457 or grandfathered 401(k) plan.

This is in addition to the usual deduction. It is available for members with adjusted gross income up to \$50,000 but becomes lower as income goes over \$30,000. This is an incentive for lower income and younger employees to save for retirement. It will be eliminated in 2007.

- A former spouse of a member who receives distributions from a 457 deferred compensation plan under a domestic relations order (DRO) will be taxed on those distributions (rather than the member).
- The “one time election” limit for distributions from 457 plans is repealed and 457 plan members will only be taxed as and when they elect to receive monies from these plans.

This change makes distributions from 457 plans as flexible as from tax qualified 401(a) plans. Effectively, it repeals the constructive receipt rule for distributions from an “eligible” 457 plan. However, the full minimum distribution rules that apply to tax qualified plans will now apply to 457 plans.

This article is only a broad summary of what these changes represent. As always, consult your own family financial planner or tax accountant for a complete understanding of these tax implications. **FPPA**

Legislative Update

2001
Legislative
Session

Three Bills recommended by the FPPA Board of Directors have been signed by the Governor after having been approved by the Colorado State Legislature. (Refer to the Spring 2001 issue of *PensionCheck* for the details of the bills. The Spring 2001 issue may be downloaded from our web site at www.fppaco.org or by requesting a copy from FPPA at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. The bills may also be found on the Colorado General Assembly web site at <http://www.leg.state.co.us/2001/pubhome.nsf>.)

HB01-1011 Statewide Plans’ Cleanup Bill

This bill clarifies certain statutes, expedites processes, standardizes treatment of members, and conforms the plans to state and federal law. Plans mentioned in this bill include: The Statewide Defined Benefit Plan, The Statewide Money Purchase

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Plan, Affiliated Plans, The Statewide Death & Disability Plan and FPPA's 457 Deferred Compensation Plan.

HB01-1008 State-assisted Old Hire Plan End of Funding Bill

This bill provides a method for calculating the last year's payments made by the state and an employer to each state-assisted old hire pension plan. It also requires an annual actuarial study for each of these plans.

HB01-1027 Death and Disability Bill

This bill increases survivor benefits for a spouse, child or a spouse and child to forty percent. The bill also clarifies the division of benefits between survivors who live in separate households.

Some of the bills will require additional rules to be adopted. FPPA will address the need for additional rules at the August board meeting. **FPPA**

The **Individual Insurance Options** department of **The Benefit Companies** has been selected to coordinate retiree health insurance plans for FPPA. Individual Insurance Options has access to a variety of optional health insurance programs for retired members of FPPA and their families. Retirees *over* or *under* age 65 may qualify for health insurance coverage through Individual Insurance Options.

We have produced an insurance brochure entitled *Optional Retiree Health Insurance, Dental & Vision Programs* highlighting the current plans available and the services provided by Individual Insurance Options. As a retiree you may have already received a copy in the mail. If you are a retired member and have not received a copy and wish to have one mailed to you, call FPPA at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide.

For more information about insurance plans provided by FPPA's new service provider and to see if you qualify for coverage, please call Julie Talley, at Individual Insurance Options - FPPA Member Direct Line (303) 400-0726 in the Denver Metro area or toll free 1-(877) 642-3671 nationwide. **FPPA**

FPPA will be conducting a survey of active members within 15 years of retirement and those members already retired to learn what features and programs you would find most beneficial in an optional insurance plan. We would also like to know if there is an interest in additional health insurance coverage. As you are well aware, health insurance for retirees is very difficult to obtain, continually changing and expensive. It continues to be one of the major concerns that face retirees today. It is our objective to continue to provide affordable insurance options for retirees. The upcoming survey will help FPPA expand our current insurance options. Look for the survey to be mailed in August. Your opinion will matter, so please take time to fill out the survey and send it in. **FPPA**

If you are retired, receiving an FPPA benefit and have any informational changes you need to pass along to FPPA, please submit the change in writing. We need the request in writing in order to protect your benefits against unauthorized changes. You may either mail in a letter with the changes along with your signature and Social Security number for verification, or request a *Change of Address Form* from FPPA. The *Change of Address Form* may be accessed on the FPPA web site at www.fppaco.org or by calling (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. **FPPA**

Legislative Update

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Retiree News

- *New Health, Dental & Vision Insurance Service Provider Named*

- *An Optional Insurance Survey Will Be Mailed In August For Your Input*



- *Protect Your Benefits By Submitting Information Changes In Writing*

FPPA Financial Highlights

For the Fiscal
Year Ended
December 31, 2000



Statement of Plan Net Assets

<i>Assets</i>	
Cash and Cash Equivalents	\$ 87,093,290
Total Investments	2,731,014,560
Total Receivables	33,793,085
Properties and Equipment, at Cost, Net of Accumulated Depreciation	1,628,690
Other Assets	108,787
TOTAL ASSETS	\$ 2,853,638,412
<i>Liabilities</i>	
Accounts Payable & Accrued Expenses	335,594,008
TOTAL LIABILITIES	\$ 335,594,008
 <i>Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals</i>	 \$ 2,518,044,404

Statement of Operations

Investment Income	\$ 87,891,400
Investment Expenses	(17,705,074)
NET INVESTMENT INCOME	\$ 70,186,326
 Net Appreciation in Fair Value of Investments	 (167,380,865)
INCOME FROM INVESTMENT ACTIVITIES	(\$ 97,194,539)

Statement of Changes in Net Assets

<i>From Investment Activities</i>	
Increase in Net Assets Derived from Investment Activities	(\$ 97,194,539)
<i>From Participant Transactions</i>	
Funds Invested by Members & Employers	119,947,805
Funds Withdrawn by Members & Employers	(135,227,598)
Administrative Expenses	(3,426,968)
	(\$ 115,901,300)
<i>Net Assets</i>	
Beginning of Year	\$ 2,633,945,704
End of Year	\$ 2,518,044,404

This Statement of Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2000 is based on the official audit report on the fund prepared by Bondi & Co. LLP.

Comprehensive Annual Financial Reports

The 1999
Report Is Awarded

And

The 2000 Report
Is Now Available

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FPPA for its Comprehensive Annual Financial Report for the fiscal year ending **December 31, 1999**. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Comprehensive Annual Financial Report for the fiscal year ending **December 31, 2000** is now available for distribution. To request a copy of the report, please contact FPPA at (303) 770-3772 or (800) 332-3772. Or log on to www.fppaco.org to view, download or print the report. **FPPA**

If you are an employer and thinking about changing the service provider for your deferred compensation or local money purchase plan, or if you just want to look at information on the new lineup of funds and services offered by FPPA, give us a call.

We are now able to offer some very competitive investment options and increased services to members of our affiliated money purchase plans as well as our 457 Deferred Compensation Plan. For more information employers should call Jackie Thompson or Corey Martin at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. **FPPA**

Keeping up with over 3,000 volunteer firefighters in the state of Colorado is quite a task. Without payroll records to maintain a paper trail of where a member may be, the task becomes even more complicated. If you have signed on, left or have transferred to or from another volunteer firefighter department, please remind that department to notify FPPA in writing of the change.

When the time comes for a benefit payment to be paid to a volunteer firefighter, the quick collection and review of volunteer service is crucial for producing that benefit in a timely manner. It's the best way to keep your service records accurate. **FPPA**

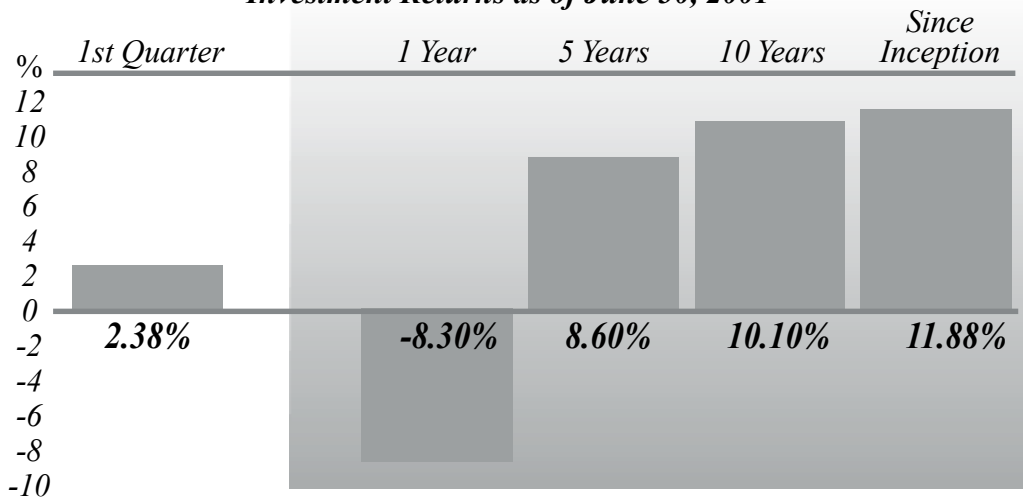
Rewarding Retirement Seminar

Thursday • August 16, 2001 • Registration 8:30am - 9am • Seminar 9am - 12:15pm
Denver Marriott Southeast • 6363 East Hampden Avenue

Join us for this half day seminar to learn about some options you may not have considered for your retirement. This seminar will be led by Linda Sorrento. Linda works with groups and individuals of all vocational and professional levels to help them realize their full retirement potential.

For more information about the seminar, call Rory Mammen at (303) 770-3772 or (800) 332-3772, or log on to www.fppaco.org and click on the *Calendar* page. **FPPA**

Investment Returns as of June 30, 2001



As of June 30, 2001 FPPA's total assets exceeded \$2.36 billion.

Employers Corner

Employers With Local Money Purchase Plans or Deferred Compensation Plans

Help Keep Us Updated

Volunteer Firefighters



Upcoming Seminar

Plan For A Rewarding Retirement

Investment Returns

Rates Of Return: 2nd Quarter, One, Five And Ten Years, And Since Inception



Transition To Fidelity Investments Now Complete

*457 Deferred
Compensation Plan*

*The Statewide Money
Purchase Plan*

*Local Money
Purchase Plans
Affiliated with FPPA*



In the last issue of *PensionCheck* we announced the transition to Fidelity Investments® for recordkeeping services and investment options for the following FPPA plans:

- FPPA's 457 Deferred Compensation Plan
- The Statewide Money Purchase Plan, and
- local money purchase plans affiliated with FPPA.

Effective June 1, 2001, the transition period ended and Fidelity Investments began providing new and expanded features making it easier than ever for you to manage your account when it's convenient for you. As a member of the above plans you now have:

- new investment options
- more flexibility
- convenient access to account information, and
- easily accessible investment education.

Information about your account is now just a phone call or mouse click away. Through Fidelity's automated phone service and internet site you will be able to obtain account information and initiate most transactions when it is convenient for you.

Automated Phone Service - 1-800-343-0860

Through Fidelity's toll-free telephone service you can manage your account right over the phone virtually 24 hours a day, seven days a week. You can also personalize a menu to quickly access the information you check regularly such as account balances and fund prices.

Internet Account Access - www.fidelity.com

Log on to www.fidelity.com to be linked to the main Fidelity web site. There you can learn more about investing and investments within the Fidelity family of funds.

For specific information on contribution and investment options for non-profit pension funds like FPPA, log on to NetBenefitsSM at www.fidelity.com/non-profits/. NetBenefits also allows access to your account from any computer equipped with Internet service. Through NetBenefits, you will be able to view your account balance, make exchanges between investment options, change future contribution mixes, track your contributions, and access fund information.

Knowledgeable Retirement Services Specialists

Fidelity Retirement Services Specialists can give you more information about the investment options available to you and provide you with information to determine an investment strategy to help you reach your retirement goals. Additionally, representatives will be able to assist you when requesting a withdrawal. Specialists are available at 1-800-343-0860, Monday through Friday, 6am to 10pm Mountain Standard Time.

Personal Identification Number

The first time you call Fidelity you must select your own personal identification number (PIN) to ensure account privacy. If you forget your number, you can establish a new PIN by calling Fidelity. Your PIN will enable access to your account via both the automated telephone service and NetBenefits on the web. Once your PIN is established, you will be asked to enter it at the beginning of all future calls and when you log on to NetBenefits.

Investment Education

Whether you are just getting started or getting ready to retire, Fidelity offers educational resources to help you plan for retirement. Information is available through the Internet or by calling a Fidelity Retirement Services Specialist. In addition, periodically throughout the year, FPPA representatives will conduct educational meetings.

We're proud of our association with Fidelity Investments and confident this relationship will enhance your ability to save and plan for a better retirement. **FPPA**

The Statewide Defined Benefit Plan covers all full-time firefighters and police officers of participating fire or police departments in Colorado hired on or after April 8, 1978. Based on the types of retirements available under the Statewide Defined Benefit Plan (listed below) we have created a chart to illustrate the benefit percentages payable at the respective ages.

Normal Retirement - is defined as a member having 25 years of service and having attained at least age 55. The member will receive a benefit of 2% per year for each year of service up to ten years, then 2.5% per year for each year of service thereafter.

Early Retirement - is defined as a member having 30 years of service or having attained at least age 50. The early retirement benefit that the member would have received at normal retirement (age 55) is reduced on an actuarial equivalent basis to reflect the early receipt of the benefit.

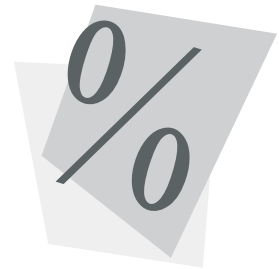
Vested Retirement - is defined as a member having 10 or more years of service. The member may terminate service at any age, leave their contributions with FPPA, and begin drawing the vested benefit at age 55.

As An Example

A member with 30 years of service and retiring at age 55 will receive 70% of their "base salary" (the average of their highest 3 years' salary) as a pension benefit.

Statewide Defined Benefit Plan Retirement Benefit Percentages

As of June 1, 2001



Years of Service	Age of Retirement										
	50	51	52	53	54	55	56	57	58	59	60+
10	12.34	13.56	14.92	16.43	18.12	20.00	20.00	20.00	20.00	20.00	20.00
11	13.88	15.25	16.78	18.48	20.38	22.50	22.50	22.50	22.50	22.50	22.50
12	15.42	16.95	18.64	20.54	22.64	25.00	25.00	25.00	25.00	25.00	25.00
13	16.96	18.64	20.51	22.59	24.91	27.50	27.50	27.50	27.50	27.50	27.50
14	18.50	20.34	22.37	24.64	27.17	30.00	30.00	30.00	30.00	30.00	30.00
15	20.04	22.03	24.24	26.70	29.44	32.50	32.50	32.50	32.50	32.50	32.50
16	21.59	23.73	26.10	28.75	31.70	35.00	35.00	35.00	35.00	35.00	35.00
17	23.13	25.42	27.97	30.80	33.97	37.50	37.50	37.50	37.50	37.50	37.50
18	24.67	27.11	29.83	32.86	36.23	40.00	40.00	40.00	40.00	40.00	40.00
19	26.21	28.81	31.70	34.91	38.49	42.50	42.50	42.50	42.50	42.50	42.50
20	27.75	30.50	33.56	36.96	40.76	45.00	45.00	45.00	45.00	45.00	45.00
21	29.30	32.20	35.42	39.02	43.02	47.50	47.50	47.50	47.50	47.50	47.50
22	30.84	33.89	37.29	41.07	45.29	50.00	50.00	50.00	50.00	50.00	50.00
23	32.38	35.59	39.15	43.12	47.55	52.50	52.50	52.50	52.50	52.50	52.50
24	33.92	37.28	41.02	45.18	49.82	55.00	55.00	55.00	55.00	55.00	55.00
25	35.46	38.98	42.88	47.23	52.08	57.50	57.50	57.50	57.50	57.50	57.50
26	37.01	40.67	44.75	49.28	54.35	60.00	60.00	60.00	60.00	60.00	60.00
27	38.55	42.37	46.61	51.34	56.61	62.50	62.50	62.50	62.50	62.50	62.50
28	40.09	44.06	48.48	53.39	58.87	65.00	65.00	65.00	65.00	65.00	65.00
29	41.63	45.76	50.34	55.45	61.14	67.50	67.50	67.50	67.50	67.50	67.50
30	43.17	47.45	52.20	57.50	63.40	70.00	70.00	70.00	70.00	70.00	70.00
31	44.71	49.14	54.07	59.55	65.67	72.50	72.50	72.50	72.50	72.50	72.50
32	46.26	50.84	55.93	61.61	67.93	75.00	75.00	75.00	75.00	75.00	75.00
33		52.53	57.80	63.66	70.20	77.50	77.50	77.50	77.50	77.50	77.50
34			59.66	65.71	72.46	80.00	80.00	80.00	80.00	80.00	80.00
35				67.77	74.73	82.50	82.50	82.50	82.50	82.50	82.50
36					76.99	85.00	85.00	85.00	85.00	85.00	85.00

%
Percentage
of Base
Salary*

█ = Normal Retirement █ = Early Retirement █ = Vested Retirement

Notes: For service beyond 36 years and age 55, add 2.5% to 85.0% for each year over 36

Final calculations are made based on the years and months of service earned.

*Base Salary = The average of a member's highest 3 years' salary.

Our Web Site Keeps Growing



The FPPA web site now includes links to the Fidelity Investments® web site. (See the Fidelity update article on page 6.) Once on the Fidelity web site, members may research funds, chart investment progress and direct investments via the web for the FPPA 457 Deferred Compensation Plan, Statewide Money Purchase Plan, and local money purchase plans affiliated with FPPA.

Under the *Benefits* page of the web site, we have added a link to view and/or download the *FPPA Member Handbook* plain language section. In addition we've added the same Statewide Defined Benefit Plan Retirement Benefit Percentage Chart as shown on page 7.

Under the *Publications* page of the web site you'll find a link to the recently published annual report for the year 2000 as well as recently published newsletters.

Soon we will be rolling out an updated *Forms* section for both members and employers. Later in the year we will be providing employers with the ability to log on to a secure page and conduct fund and data transfers via the web.

Visit our web site and take a moment to bookmark our location. We welcome your comments and suggestions for ways to make our web site more useful to you. **FPPA**

The **FPPA**
Web Site
Address Is
www.FPPACO.org

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