

FPPA PensionCHECK

A review of your retirement benefits.

Fall/Winter 2003

Statewide Election Planned For Spring 2004

One Election Item For All Statewide Plans

The Statewide Defined Benefit Plan "New Hires"

The Statewide Money Purchase Plan

& The Newly Formed Statewide Hybrid Plan

And 2 Additional Election Items For

The Statewide Defined Benefit Plan "New Hires"



One Election Item For All Statewide Plans Statewide Health Care Defined Benefit Plan

Proposed Amendment

Members will have an opportunity to decide whether they want to participate in the Statewide Health Care Defined Benefit (SWHC) Plan.

As many of you know, FPPA ran legislation in 2003, which is now law, that authorized FPPA to create a defined benefit plan to provide assistance in paying health care costs after retirement.

In the spring of 2004, FPPA plans to conduct an election for active police officers and firefighters covered by all statewide plans;

- the Statewide Defined Benefit (SWDB) Plan "New Hires"
- the Statewide Money Purchase (SWMP) Plan, and
- the new Statewide Hybrid (SWH) Plan, if applicable.

This is an important election because the plan will only be implemented if 65% of members in all of the plans (statewide) vote in favor of adopting the plan. It would then be mandatory for all participants. There is one exception - if less than the majority of the department's members vote in favor of adopting the plan, the employer may elect not to participate. However, employers will not vote on this ballot item since it will be a member contribution.

At this time, the target for effective date is January 1, 2005, or upon receipt of IRS approval. Please keep in mind that all benefits described in this summary are of a general nature and are subject to change as the plan is finalized by the FPPA Board and approved by the IRS. This summary does not supercede the benefits that will be used and defined in the plan document and receive IRS approval. More specific information regarding the plan will be available during the plan election process.

We have included in this article a summary of some of the following proposed Statewide Health Care Defined Benefit Plan features.

Vesting and Eligibility

Existing Statewide plan members will be vested immediately for all years worked/purchased under their current plan/employer. Members from local money purchase plans that have elected coverage under the Statewide Hybrid plan or the SWDB plan will be vested for years with their current employer, upon entering the SWH plan. Members currently in DROP will be eligible for the benefit after leaving DROP, however, the benefit calculation only counts years before entering DROP. Retirees or vested members who have left the plan and will later collect a benefit will not be eligible to participate.

Contributions & Benefit Levels

Member contributions are 1% of payroll. Employers may be able to "pick up" the

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Statewide Election Planned For Spring 2004

Continued From The Front Page

contributions, as allowed by IRS Code. Contributions are pre-tax. Benefits will start at \$235/month, and may increase by up to 3%/year based upon the actuarial soundness of the plan and FPPA Board approval. The benefit amount is calculated based on years of service, with the maximum benefit being for 25 years of service. The benefit amount will be pro-rated for less than 25 years of service.

Benefit Payout Period and Other Provisions

The benefit will begin at age 55, or when the member terminates employment, whichever is later, and the benefit will run for a 10-year period. Benefits after Medicare eligibility will be reduced to the lesser of ½ of the pre-Medicare benefit amount or Medicare Part B premium. No survivor benefits are available at this time.



And 2 Additional Election Items For Statewide Defined Benefit Plan “New Hires”

FPPA will be submitting to employers and active plan members of the Statewide Defined Benefit “New Hire” plan 2 additional proposed amendments.

All “New Hire” police officers and firefighters covered by the SWDB plan *and their employers* are eligible to vote. This election represents your fifth opportunity in history to consider improving some of the SWDB future pension benefits.

The purpose of this New Hire plan election will give participating members and employers an opportunity to consider improving pension benefits by the following two **no-cost** proposed amendments.

Proposed Amendment #1

Allow members to self direct the SRA monies in their accounts in any investment option offered by FPPA, once the members have retired (Normal, Early, or Vested Retirement) or entered DROP.

Current Plan Provision – SRA monies are commingled for investment purposes in the Fire & Police Members’ Benefit Fund and earn investment return based on the performance of that fund. By rule, if a member elects to receive payment of the SRA funds in periodic installments, they may alternatively elect to accrue earnings at the rate of a short-term investment fund. This election is irrevocable.

Proposed Amendment #2

Remove the requirement on the current amendment that a participant in the Statewide Deferred Retirement Option Plan (DROP) who terminates employment and becomes a retiree must select a payment option within 30 days of retirement or the lump sum payment method shall be utilized. Minimum distribution would be required as provided by the IRS

Current Amendment – A participant in the DROP who terminates employment and becomes a retiree must select a payment option within 30 days of retirement. If no selection is made by the retiree within 30 days of retirement, the lump sum payment method shall be utilized. (This could cause members a taxable event that may even include penalties.)

In order to become effective, each SWDB plan amendment must be approved by an affirmative vote of at least 65% of active plan members and more than 50% of their employers.

As election plans become final, FPPA will furnish complete information to all participating members and employers. FPPA

As most members are aware, the mutual fund industry in the United States is now the focus of various state and federal investigations. These investigations are concerned with trading practices which are either illegal or improper and may be detrimental to long term investors in the funds.

The FPPA staff and Board are closely monitoring these developments, particularly with respect to the investment firms it uses to manage assets on the defined benefit plan side and the mutual fund options offered to 457 Deferred Compensation, DROP, Statewide Money Purchase Plan, and local affiliated money purchase plan members.

On the defined benefit plan side, the FPPA Board has placed Putnam Investments on its watch list because of investigations related to some of its mutual funds. FPPA is not invested in these funds but we are concerned with the impact of the investigations on the organization and the separate account it manages for FPPA.

Similarly, on the 457 Deferred Compensation, DROP, Statewide Money Purchase and local affiliated money purchase side, the Board has placed the Janus Mid-Cap Value Fund on its watch list because of investigations at Janus involving other mutual funds. (The Board's decision to remove the Janus Worldwide Fund as an option, reported nearby, was made earlier and was based on performance concerns and management turnover.)

We will, of course, continue to closely monitor developments and will report back to our members and employers on any further action which may be warranted. We encourage 457 Deferred Compensation, DROP, Statewide Money Purchase Plan, and local affiliated money purchase plan members to consult with their financial advisors regarding the investment options offered through FPPA. **FPPA**

The FPPA Board of Directors has set the 2004 Stabilization Reserve Account (SRA) contribution rate for members of the Statewide Defined Benefit Plan at 0%. The new SRA contribution rate will go into effect January 1, 2004.

The SRA balance is calculated in the following way. After the 16% combined employee and employer contributions are received to fund the Statewide Defined Benefit Plan and after all of the plan costs are paid, any surplus amount is allocated from employer contributions to an SRA account in each member's name. For 2004 it is calculated that there is no surplus to be allocated.

The original intent of the SRA was to provide an additional retirement benefit for when the cost to fund the plan would fall below 16% and to protect from having to cut benefits or raise contribution rates in the event of unfavorable market conditions.

Additionally, the SRA serves as a resource for the cost of enhanced benefits to the Statewide Defined Benefit Plan. As an example in 2000, the membership elected to provide a benefit percentage for *all* years of service incurred. Specifically, the passed amendment awarded 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 benefit was a significant enhancement to the plan and was funded through a 5% reduction to the SRA in 2000. The SRA absorbed the cost of the enhancement without increased contributions from either the Member or Employer.

The SRA allocation is calculated yearly based on the amount of contributions needed to fund the Statewide Defined Benefit Plan from the previous year. Understandably the poor market conditions of the last few years weighed heavily in the determination of this year's percentage. **FPPA**

FPPA Continues To Monitor Mutual Fund Watch List



SRA Rate Announced

Statewide Defined Benefit Plan Members



SRA Statement Mailing Note: Going forward in 2004, SRA information will no longer be mailed on a quarterly basis but will now be included along with the Annual Defined Benefit information which is mailed from FPPA every January.

Definition of "Member" Expanded

Sample Resolutions Now Available For Employers

As reported in the Spring issue of the PensionCheck Newsletter, legislation was enacted to expand FPPA's definition of "member".

- Employers may now enroll *part-time* police officers and firefighters in the;
 - Statewide Money Purchase Plan and the
 - Statewide Death and Disability Plan.
- In addition, *clerical or other personnel employed by a Fire Protection District* may participate in the;
 - Statewide Defined Benefit Plan or
 - Statewide Money Purchase Plan, (whichever plan is offered to the firefighters in that district).

Employers that wish to use these new provisions must file a resolution with FPPA. Sample resolutions may be found on FPPA's website, www.fppaco.org, or you may request a copy by contacting the FPPA office at 303/770-3772 or 1-800-332-3772. **FPPA**

PSOB Update

All Active Members

Now More Than Ever It Is A Good Idea To Keep Your Life Insurance Policy Up-To-Date

Yearly Benefit Announced

In 1976 the Department of Justice established a benefit program for the survivors of the nation's public safety officers known as the Public Safety Officers' Benefits (PSOB) program. The program provides financial assistance to eligible family members of firefighters, rescue, and law enforcement personnel killed or permanently disabled. To be eligible for PSOB, the death or disability must be the direct and proximate result of a traumatic injury sustained in the line of duty. Currently set at \$267,494 (as of October 2003), the benefit is adjusted annually.

Definition Of "Beneficiary" Widened

Recent changes to the PSOB state that if a fallen police or firefighter is not survived by a child or spouse, the federal death benefit would go to the beneficiary named in the "most recent executed life insurance policy". (If there is no life insurance policy, the benefit would go to surviving parents.) Before this law was

The program provides financial assistance to eligible family members of firefighters, rescue, and law enforcement personnel killed or permanently disabled in the line of duty.

passed, a public safety officer who died without leaving behind immediate family was not covered by PSOB.

This change underscores the importance to routinely review your life insurance policy. With this new change on the books, every active police officer or firefighter needs to take a minute to make sure any life insurance policy beneficiary designation is up to date. **FPPA**

D&D Contribution Rate

Employers of Statewide Death & Disability Plan Members

For Colorado firefighters and police officers hired on or after January 1, 1997, employers are required to contribute a percentage of each member's base pay for coverage under the Statewide Death & Disability Plan. The employer, in conjunction with its members, decides who actually pays the contribution.

The contribution rate for 2004 (which was established in 2002) will be 2.4%. According to Colorado State Statute (C.R.S., 31-31-811(4)) contributions may be increased or decreased by 0.1% every two years. **FPPA**

In the past, FPPA was required to provide all retirees with a Form 1099-R no later than January 31 of each year for tax purposes. Going forward, there is a new IRS mandate in place which no longer requires FPPA to provide a Form 1099-R to retirees having a taxable gross amount of zero (0), and have no taxes withheld from their account during the year.

If a retiree has a taxable gross amount greater than zero, or has chosen to have taxes withheld from their account during the year, they will continue to receive a Form 1099-R from FPPA. **FPPA**

Investment Returns as of September 30, 2003



As of September 30, 2003 FPPA's total assets exceeded \$2.223 billion.

1099-R Forms

Not All Retirees May Continue To Receive An IRS 1099-R Form

Investment Returns

Rates Of Return: 3rd Quarter, One, Five And Ten Years, And Since Inception



Colorado state statute establishes the criteria for a cost of living adjustment (COLA) to statewide plans administered by FPPA. The criteria states that it is the determination of the FPPA Board of Directors each year to determine COLA percentages.

Announced annual COLA's are effective every year beginning October 1. Each percentage announced is cumulative and compounds upon the previous year's percentage.

Statewide Defined Benefit Plan Retirees

A 1.4% COLA for 2003 was granted for all retirees of the Statewide Defined Benefit Plan who were retired before October 1 of 2002. Those who retired after October 1 of 2002 will have their benefit adjusted by the COLA percentage announced next October.

Statewide Death and Disability Plan Members and Survivors

Under the Statewide Death & Disability Plan, **totally disabled** members are granted a fixed 3% COLA each year on October 1.

The FPPA Board of Directors at their August board meeting made a decision to not grant a COLA for **occupationally disabled** members and **survivors** of active duty members. This action was necessary because of the negative impact of recent investment returns on the funded status of the Statewide Death & Disability Plan. We are, however, optimistic about the current economic and investment environment and we expect we will be able to resume COLA increases in the future. **FPPA**

Cost of Living Adjustment

Announced For Statewide Plan Retirees & Beneficiaries Effective October 1

FPPA Retiree Insurance Options

Group And Individual Plans Are Available For FPPA Retirees



With health care at the forefront of concerns for FPPA retirees, we would like to remind our retirees and members of the following insurance plans that are available to you.

Group Plans

Secure Horizons Medicare + Choice Group Retiree Plan. This plan is an enhancement to Medicare by which PacifiCare is totally responsible to cover your health care costs plus provide additional programs to get you healthy and keep you healthy. PacifiCare has a select network of contracting Primary Care Physicians, health care professionals and medical providers, including prescription drugs and vision care.

Fortis Group Dental Plan.* This plan offers true freedom of choice, you may go to any dentist you want, nationwide. There are two plans to choose from, and there is a PPO network of dentists available to save even more out of pocket expenses.

EyeMed Vision Care Plan.* This plan provides a choice of two plans (Premier and Preferred), attractive monthly premiums, and your choice of independent optometrists, ophthalmologists, opticians and LensCrafters locations throughout the country.

Vision Service Plan (VSP).* This plan provides comprehensive vision services and is available in the Rocky Mountain Region. VSP has an extensive list of participating doctors from which to choose.

Group Plans Contact Information

Premiums for all group plans are paid by a monthly payroll deduction from your FPPA retirement check.

Primary Contact: FPPA's Payroll Specialist

(303) 770-3772 in the Denver Metro area or toll free (800) 332-3772 nationwide, for general information and enrollment applications.

Secondary Contact: Gemini Group (See the contact information below.)

**If your current medical plan has dental or vision coverage incorporated into it, you may be unable to drop that portion of your coverage. Please check on your current coverage before enrolling in the dental or vision plans mentioned in this article to avoid double coverage.*

Individual Plans

FPPA has the following individual supplemental insurance plans available to our retirees and members:

- Long-term Care Insurance
- Affordable Life Insurance
- Individual Health Insurance Plans (*for individuals under and over age 65*).
- AFLAC Supplemental Benefit Plans

Individual Plans And Group Plans Contact Information

Contact **The Gemini Group**, (FPPA's service provider)

(303) 893-0300 in the Denver Metro area or toll free (888) 795-0300 nationwide, for an analysis of your needs and the options available to you. **FPPA**

The FPPA annual public hearing to consider changes to the association's rules and regulations was held on Wednesday, August 27th. While many of the changes are technical in nature, the following is a brief overview of just some of the amendments to the rules and how they may affect the membership.

The rule changes will accomplish the following;

- Implement 2003 Legislation
 - Providing for inclusion of clerical and other employees of fire districts to participate in the Statewide Defined Benefit Plan.
 - Providing for inclusion of part-time firefighters and police officers to participate in the Statewide Money Purchase Plan and the Statewide Death & Disability Plan.
 - Implementing the change in vesting under the Statewide Defined Benefit Plan to 5 years.
 - Implementing procedures for allowing county sheriffs to participate in the Social Security supplemental plan in the Statewide Defined Benefit Plan and Statewide Death & Disability Plans.
 - Implementing procedures for allowing members of local plans and the Statewide Money Purchase Plan to enter the Statewide Hybrid Plan or to re-enter the Statewide Defined Benefit Plan.
 - Implementing an election procedure for a membership vote on the Statewide Health Care Defined Benefit Plan.
 - Implementing a procedure for accruing deferred state contributions to old hire pension plans.
- Allows for administrative approval of retirement applications and distributions and refund of contributions under the Statewide Defined Benefit Plan and the Statewide Money Purchase Plan.
- Provides for annual SRA statements and allows a member to elect a short term investment fund rate of return on SRA accounts at retirement.
- Allows a member of the Statewide Defined Benefit Plan who takes a disability to elect to take their vested retirement in lieu of disability.
- Clarifies rules regarding FPPA records subject to the Colorado Open Records Act.
- Implements, by rule, a procedure for receiving state contributions to volunteer fire pension plans.

A current copy of the rules may be obtained by calling the FPPA office at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. The rules and regulations are also available on our website at www.FPPACO.org for viewing and/or downloading. Any questions concerning the amendments to the rules should be directed to Kevin Lindahl, FPPA General Counsel. **FPPA**

For those members who are currently participating in the FPPA 457 Deferred Compensation Plan listed below are the 2004 Annual Contribution Limits as well as the Catch-Up Contribution Limit provisions.

457 Contribution Limit for 2004 is \$13,000

Members age 50 and older may add another \$3,000 to that amount as a Catch-Up Contribution to their account as well.

As an alternative to the age 50 Catch-Up Contribution, a FPPA 457 plan participant is eligible to defer up to twice the contribution limit (\$13,000) for the 3 years preceding the employee's normal retirement age.

FPPA Rules Adopted

457 Deferred Compensation Contribution Limits

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FPPA Board of Directors

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Governor Bill Owens named one new member to the Fire and Police Pension Association Board of Directors. **Monica Cortez-Sangster** began her term on the Board of Directors at the September 24th meeting. Her term will extend until September 2006. In addition, **Leo Johnson** and **John Bramble** were re-appointed by the Governor each for another term.

Monica is currently the Director of Human Resources for the Colorado Department of Personnel & Administration. The Human Resources Unit is responsible for the administration of the Department's internal personnel functions. Monica graduated with a Bachelor of Arts degree in Liberal Arts/Social Sciences from Colorado State University and a Master's degree in Public Administration from the University of Colorado at Denver. She fills the required position on the board for a member to have experience in insurance disability claims.

Elected by the board to the position of Board Chair is **Leo Johnson**. Leo fills the position on the Board representing Special Districts. He currently also serves as a trustee of the West Metro Fire Rescue District. The Vice Chair of the Board is **Lyle Hesalroad**. Lyle is a retired Police Captain from the Denver Police Department. He fills the position on the Board calling for alternating terms of either a retired police officer or retired firefighter. **FPPA**