The Fall edition of the Pension Check was written approximately three weeks after the September 11 terrorist attacks. At that time, we reported on the very difficult investment environment we faced during the three quarters of 2001. The economy was in recession, stock prices had plummeted and then, the events of September 11 shook the world and its financial markets.

Against this background, some members and employers asked if we would change our investment strategy. A few even suggested moving assets from stocks to safer treasury bills or bonds until equity markets began to rebound.

We noted at the time that we were long-term investors and, while we would carefully monitor the current situation, we did not intend to alter our long-term investment strategy for the fund. Moving assets in and out of stocks, in an effort to time the market, is a difficult proposition at best. A study was done recently which analyzed the return of the S&P 500 between January 1, 1985 and December 31, 2000. During that time the S&P 500 returned 13.78% per year. This period included a total of 4,044 trading days. If an investor missed the 40 best trading days (less than 1% of the time) his/her annual return would have decreased to 4.47%. The point for strategic long-term investors like a pension plan is that market timing is too difficult and, if you get the timing wrong, it can have a significant negative impact on performance.

Fortunately, FPPA held to its long-term asset allocation for the portfolio during the months of October and November of 2001. In fact, during early October we rebalanced the portfolio, moving money into stocks in order to get back to our strategic long-term target allocation for equities. Subsequently, during October and November, the domestic stock market, (as measured by the Russell 3000 Index), was up 10.21% and international stocks, (as measured by the MSCI EAFE Index), were up 6.24%. Domestic bonds, on the other hand, were up only .68% for this two-month period (as measured by the Lehman Aggregate Index).

The result for FPPA’s total portfolio was a return of 4.65% for the October-November time period. The year-to-date return went from -11.24% at the end of September, to -7% at the end of November.

We understand that this return is well below what we expect on an annual basis and, moreover, it is not at all clear that the worst is over. Stock markets have again been bouncing around in December, and many investment professionals believe we may still re-test the stock market lows we saw in September.

The past few months, however, have served to reinforce our basic approach to investing. We cannot and will not attempt to time markets in the short term. Rather, we will develop our investment strategies based on long-term expectations for financial markets. While such expectations may change over time, they generally will not change over night in reaction to the latest stock market gyrations.
As reported in the last issue of Pension Check, FPPA will be conducting an election for Employers and active plan Members to vote on four proposed amendments to the Statewide Defined Benefit iNew Hire Plan.

All iNew Hireî 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. 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 this election.

The following is a brief timeline of the upcoming election. Specific dates will appear in the packet of materials which will be distributed to all Employers.

### 2002 Statewide Defined Benefit Plan Election Timeline

- **April** - Voting materials mailed to (or picked up by) Employers. Employers distribute election information and ballots to FPPA Members.
- **May** - Employers collect the ballots from Members.
- **June** - Certification of the vote by the Employer is mailed or delivered to FPPA.
- **July** - The votes are tallied and the certification of the results are submitted to the FPPA Board of Directors by the FPPA Chief Executive Officer. The FPPA Board of Directors certify the election at the July Board Meeting.

### 2002 Statewide Defined Benefit Plan Election Overview

This New Hire plan election will give participating members and employers an opportunity to consider improving pension benefits by the following four no-cost proposed amendments.

- **Amendment #1** - Retirees and beneficiaries may receive a Cost-of-Living Adjustment (COLA) to their pension benefits of an amount up to 3% a year to be determined by the FPPA Board.

- **Current Plan Provision** - Retirees and beneficiaries may receive a Cost-of-Living Adjustment (COLA) to their pension benefits of an amount not more than the lesser of the Consumer Price Index (CPI) or 3% a year to be determined by the FPPA Board.

- **Amendment #2** - Members will 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 Membersí Benefit Fund and earn investment return based on the performance of that fund.

- **Amendment #3** - Members will self direct the Deferred Retirement Option Plan (DROP) monies in their accounts in any investment option offered by FPPA once the members have entered the DROP.

- **Current Plan Provision** - DROP monies are commingled for investment purposes in the Fire & Police Membersí Benefit Fund and earn investment return based on the performance of that fund.

- **Amendment #4** - Allow members who meet the requirements for Early Retirement* (age 50 OR 30 years of service) and members who meet the require- continued on the next page
FIRE & POLICE PENSION ASSOCIATION of COLORADO

ments for a Vested Retirement (at least 10 ñ 24 years of service and age 55) to participate in the Deferred Retirement Option Plan (DROP).

*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.

Current Plan Provision - Members who meet the requirements for Normal Retirement (age 55 with 25 years of service) can participate in the DROP.

In order to become effective, each 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.

Pre-Retirement Planning Seminar - Saturday ï March 23, 2002
Registration & Continental Breakfast 8 - 8:30am ï Seminar 8:30am - 3:45pm
(There will be a no host lunch break from 11:45am - 1pm.)
Sheraton Denver West Hotel ï 360 Union Boulevard ï Lakewood, Colorado

If you are within 10 years of retirement, this seminar is for you. From Social Security issues to financial and long-term care planning, you'll walk away with the most up-to-date retirement information available.

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

The 2002 edition of the FPPA Member Handbook is now available for distribution. The handbook is available to members and employers by any one of the following methods.

Visit Our Web Site
Click on the link under Publications on our web site at www.fppaco.org. Once on the Publications page there is a highlighted link for the FPPA Member Handbook. There you will find an opportunity to either view or download and print the entire handbook. In the future this page will have a search engine dedicated to the Member Handbook for the ease of finding specific information.

Stop By Our Offices
You are always welcome to stop by our offices in the DTC area of south Denver and request a copy of the handbook. We are located just east of I-25 on the Belleview exit at 5290 DTC Parkway.

Or Give Us A Call
A copy of the Member Handbook may be mailed to you directly from our offices. Just give us a call at (303) 770-3772 in Metro Denver or (800) 332-3772 toll free nationwide.

In order to keep the handbook as up-to-date as possible it features proposed 2002 legislation highlighted throughout the handbook. This will enable members to see how certain legislation, which is currently moving through the 2002 session of the Colorado State Legislature, may impact their retirement.

While the Member Handbook is intended to be a plain language overview of the statewide plans available to members it should be noted that this handbook can only be considered a summary and not a comprehensive reference to retirement and survivor benefits provided by FPPA. More specific information may be found in Colorado Revised Statutes Title 31, Articles 30, 30.5, and 31 and the official FPPA Rules and Regulations adopted by the FPPA Board. Copies of the Colorado Revised Statutes and the FPPA Rules and Regulations may also be obtained in the same ways listed above for the handbook.
Recent world events have resulted in thousands of reservists being summoned to active duty to support Operation Enduring Freedom in the Persian Gulf region. Some of these reservists may be members of the Statewide Defined Benefit Plan, the Statewide Money Purchase Plan, and/or the Statewide Death and Disability Plan. Some questions have arisen concerning benefits for reservists during periods of military leave. This article, specifically addresses the requirements of federal and state law as they affect pension benefits under the statewide plans administered by FPPA.

The reemployment rights of employees on military leave are governed by the Uniformed Services Employment and Reemployment Rights Act (USERRA). USERRA was passed in 1994 to clarify the rights and benefits of reservists returning from Operation Desert Storm in Iraq. Members must comply with the requirements of USERRA in order to receive the benefits provided under this federal law. Generally, those benefits include reemployment without loss of seniority or pension benefits.

In order for members on military leave to take advantage of the reemployment rights under USERRA, they must notify their employers, either orally or in writing, that they will be absent from work because of military duty. Also, for a veteran to be entitled to the benefits provided under USERRA, the military leave of absence cannot exceed five years and the member must apply for reemployment within a reasonable period following an honorable discharge.

Reemployment

The length of a returning veteranís military service determines the time period for seeking reemployment following discharge. If the service is for 30 days or less, a veteran must apply for reemployment or report to his or her place of employment no later than the beginning of the first full work period on the first full calendar day following completion of service, plus eight hours to allow for safe transport home. If the military service lasts more than 30 days but less than 181 days, a returning veteran must seek reemployment no later than 14 days following the end of service. For military service periods of 181 days or more, reemployment must be sought no later than 90 days following discharge.

In the event of an injury, a veteran generally has up to two years to apply for reemployment.

Retirement Benefits

USERRA provides that for the purpose of calculating pension benefits, compensation is to be determined as if the leave had not occurred. Also, USERRA requires an employer to fund any accruals to a defined benefit plan and allocations to a defined contribution plan for a returning member as if he or she had never taken leave. However the accruals and allocations are conditioned on the employee making up any required contributions. Thus, an employer will have to make up any unpaid contributions for the returning employee, provided the employee makes up the missed deferrals or contributions. The employee must make up the contributions within a period not exceeding three times the period of military service, but in no case may the period exceed five years.

The employer may choose to continue to submit to FPPA the employerís normal contributions or allocations while the FPPA member is away on military leave. However, service credit will be awarded to the returning veteran only upon the repayment of employee contributions as required under the terms of USERRA. If the employee does not return to work for the employer after military service or otherwise fails to comply with the reporting and repayment provisions of USERRA, the employer will receive a credit from FPPA for the contributions made on behalf of the veteran.

✓ FPPA asks that employers furnish to FPPA the names of those persons on military leave for whom employer contributions are being submitted and the amount of those contributions.

continued on the next page
 contributions. FPPA will then be able to make note of the purpose of those contributions.

✓ FPPA also asks that employers notify us immediately upon the employee’s return to work so his or her status is kept current in FPPA’s records, and so he or she can be given the opportunity to make up any unpaid contributions.

The Statewide Death & Disability Plan
In addition to the normal retirement plan offered through FPPA, FPPA provides disability and survivor pension benefits for its members and their families. Those benefits for members hired prior to January 1, 1997 have been funded entirely by the State of Colorado and not by employer or employee contributions. Benefits for those hired on or after January 1, 1997 are funded through employer and/or member contributions. Benefits are available to active members of the Statewide Death and Disability Plan as well as members who are on an authorized leave of absence from their jobs, including an authorized leave of absence for military duty. Within the contribution reporting process, the employer must notify FPPA which members are on military leave. **FPPA Rule 401 requires official certification of leaves of absence in which the employee is off the employer’s payroll for one month or more.** Contributions of 2.3% into the Statewide Death and Disability Plan must continue during the period the member is on an authorized leave of absence. If the employer is paying 100% of this contribution, the employer must continue to remit the D&D contribution on a monthly basis using the member’s latest base salary. If the employer contributes partially or the member pays the entire contribution, the employer will remit the monthly contribution during the authorized leave of absence using the member’s latest base salary. The FPPA Board of Directors strongly encourages the employer to cover the member entirely during a period of military leave, but leaves this to local discretion.

If you have any questions about any of the items discussed in this article, please contact FPPA’s Membership Accounting Supervisor, Charles Duran, at (303)770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. Members and employers who have Internet access and wish to learn more about USERRA can visit http://www.dol.gov/elaws/userra0.htm. **FPPA**

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**Official Statewide Death & Disability Plan**  
**Authorized Leave of Absence for Military Service Policy**  
*Adopted by the Board of Directors of the Fire & Police Pension Association on October 31, 2001.*

A member on an authorized leave of absence continues to be covered under the death and disability plan upon payment of contributions equal to 2.3% of the member’s base salary at the time the leave commences. Employers are responsible for submitting the contribution on a monthly basis. An authorized leave of absence shall not exceed two years.

With regard to the Statewide Death and Disability Plan, a member on military leave is entitled to the same benefits that a person on an authorized leave of absence is entitled to receive. Any benefits payable under the Statewide Death and Disability Plan shall be offset by any death or disability benefits received from the military.
As you are probably aware, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) took effect on January 1, 2002 and includes significant changes to the tax rules governing retirement plans, individual retirement accounts, and other benefit arrangements. EGTRRA provides for substantially increased contribution limits, simplified distribution rules, and eased administrative burdens for retirement plans, other employer-sponsored benefit arrangements, and IRAs. Although many of these provisions offer significant opportunities to employers and employees, others may impose potentially substantial and perhaps unexpected burdens on plan sponsors and administrators.

Fidelity Investments, FPPA’s recordkeeper, has provided an overview of the major provisions of EGTRRA. It is organized into sections, each of which summarizes the current law and the new law, by plan type and plan feature. For specific information contained in Fidelity’s Employer Guide, visit FPPA’s web site at www.fppaco.org and click on the EGTRRA link found under National Legislation.

FPPA is in the process of reviewing the Statewide Money Purchase Plan and the 457 Deferred Compensation Plan for amendments that we plan to make early this year. We plan to take advantage of as many of the new options as possible, especially the portability of retirement savings rules.

This might also be a good time to remind all employers and members that it is possible for your department to elect coverage under the Statewide Money Purchase Plan, rather than maintain the responsibility and costs associated with local pension plan administration. FPPA staff would welcome the opportunity to discuss the process with you and the differences between the plans.

### New Annual Contribution Limits for 457 Deferred Compensation Plans

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Contribution Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$11,000</td>
</tr>
<tr>
<td>2003</td>
<td>$12,000</td>
</tr>
<tr>
<td>2004</td>
<td>$13,000</td>
</tr>
<tr>
<td>2005</td>
<td>$14,000</td>
</tr>
<tr>
<td>2006</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

The limit will be indexed for inflation in $500 increments after 2006. The 33 1/3% of compensation limitation is increased to 100% in 2002.

### Catch-up Contributions for Members Age 50 and Older

<table>
<thead>
<tr>
<th>Year</th>
<th>Catch-up Contribution Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$1,000</td>
</tr>
<tr>
<td>2003</td>
<td>$2,000</td>
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<tr>
<td>2004</td>
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<td>2005</td>
<td>$4,000</td>
</tr>
<tr>
<td>2006</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

The limit will be indexed for inflation in $500 increments after 2006. As an alternative to the age 50 catch-up, a 457(b) plan participant is eligible to defer up to twice the contribution limit in effect for the 3 years preceding the employees normal retirement age.

FPPA Retirees are on the go! When you pull up stakes and make a move (even in the winter months to a warmer climate), make sure your benefits will find you. Give us a call or visit our web site at www.fppaco.org for a Change of Address Form from FPPA. Submit your requests in writing by the 10th of the month and your changes will be made for that month.

This goes for notifying us of changes with your banking accounts as well. If your benefits are set up with our Direct Deposit program and your bank has recently been subject to a merger - make sure we have the correct routing numbers for your account.
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, 2000**. 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.

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.

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**FPPA Web Site www.FPPAco.org**

When you log on to the FPPA web site you'll find links to publications, benefits and legislation. The 2002 Edition of the FPPA Member Handbook is also now available on the web site for viewing or downloading and printing.

Visit our web site often and take a moment to bookmark our location. FPPA

**Fidelity Investments® Web Site**

www.fidelity.com/non-profits/

Automated Phone Service 1(800) 343-0860

Through Fidelity's Internet site and automated phone service members may obtain account information and initiate most transactions. Give it a try! FPPA

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**Investment Returns as of December 31, 2001**

<table>
<thead>
<tr>
<th>%</th>
<th>4th Quarter 2001</th>
<th>1 Year</th>
<th>5 Years</th>
<th>10 Years</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>5.56%</td>
<td>-6.31%</td>
<td>6.69%</td>
<td>8.88%</td>
<td>11.48%</td>
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<tr>
<td>10</td>
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<td>5</td>
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<td>-10</td>
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</table>

As of December 31, 2001 FPPA’s total assets exceeded $2.31 billion.
Dental Insurance
In the last issue of Pension Check FPPA announced that we were negotiation a group dental insurance plan with Fortis Benefits, one of the largest insurance companies in the country. We are pleased to tell you that they have accepted our retirees in their plan. Enrollment packets were mailed to all retirees in October and the response was tremendous with nearly 400 retirees signing up during the open enrollment period.

Although the open enrollment period is now complete, retirees may still request an application for dental insurance at anytime from Susanne Hamilton at FPPA or Maryann Morrow at The Benefits Companies at (303) 226-1000 ext. 214 or toll free at (800) 530-2211.

Health Insurance
We havenít forgotten about your concerns for getting and keeping affordable health insurance. While that objective is the most difficult to achieve, we recognize its importance and are continuing to work toward the goal of providing a group plan for FPPA retirees. We will announce our findings in future issues of Pension Check.

In the meantime, FPPAís service agency, The Benefit Companies, currently has access to the following INDIVIDUAL types of insurance plans:

- Individual Health Insurance, Medically Underwritten
- Medicare Supplement
- Long-term Care (nursing home and home health care)
- Life Insurance

For more information about these INDIVIDUAL plans and to see if you qualify for coverage, please call Julie Talley at The Benefit Companies ñ FPPA Member Direct Line (303) 400-0726 in the Denver Metro area or toll free (877) 642-3671 nationwide.