I am pleased to be writing my first column for PensionCheck. It is a privilege to work for those who are on the front lines and serve and protect our society. I pledge to you that FPPA will continue its mission to safeguard retirement funds, administer benefits fairly, and provide superior, cost-effective service to our members.

In the last several months, we have all endured a roller coaster ride in the financial markets that is unprecedented since the 1930s. From a highest close of 1,565.15 on October 9, 2007, until the market low of 676.53 on March 9, 2009, the S&P 500 declined nearly 57%. Then, from March 9 through June 30 of this year, the S&P 500 rose nearly 36%.

However, the consensus forecast indicates that we will have a long and slow recovery, with unemployment expected to remain high through 2010. The financial markets, though, are generally a leading economic indicator relative to the larger economy, and some prognosticators have been seeing the “green shoots” of a recovery. Throughout this process, the investment staff at FPPA has been closely monitoring the association’s investments and taking appropriate action where necessary. In addition, FPPA has been able to take advantage of U.S. Treasury Department efforts to minimize dislocations in the credit markets by participating in the Term Asset-Backed Securities Loan Facility (TALF) program.

Like every other investor, FPPA was not immune from the market meltdown. FPPA’s return for 2008 was -29.38%, net of fees. Although all asset classes decreased in value during the fourth quarter of 2008, FPPA’s diversified portfolio kept the assets from declining as significantly as the equity indices. By way of comparison, the S&P 500 declined 37.00% in 2008. For the first half of the year, which includes continued declines for roughly the first quarter, FPPA’s preliminary unaudited return has been 4.05%. FPPA’s return from the market bottom (as measured by the S&P 500) on March 9 through June 30 has been approximately 21.65%.

Despite the market volatility, the funded status of the various statewide plans that FPPA administers remains strong. (This article does not address the Colorado Springs plans or the various affiliated local old hire plans.) The January 1, 2009, funded status of the various plans FPPA administers is in the following chart. The funded status is obtained by dividing the actuarial value of the assets of the plan by the actuarial value of the liabilities of the plan. Please note that the funded status calculation does not incorporate the market value of assets and does not assume any benefits beyond that provided by current law.

<table>
<thead>
<tr>
<th>FPPA Plan Funding Status • January 1, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide Defined Benefit Plan</td>
</tr>
<tr>
<td>Statewide Hybrid Plan (Defined Benefit portion)</td>
</tr>
<tr>
<td>Statewide Death &amp; Disability Plan</td>
</tr>
</tbody>
</table>

Every three to five years, FPPA conducts an asset/liability study, where we study the liabilities of the various plans for which FPPA is responsible and try to determine the “best” mix of assets to hold for the long run to defease those liabilities. The board, staff and consultants of FPPA are in the midst of an asset/liability study right now. Although the study was not started because of the market decline that began in 2008, the current market environment has brought added significance to the study. The board

continued on page 2
In many previous *FPPA PensionCheck* newsletters and on our web site we have informed members about the *Pension Protection Act of 2006* and specifically the *Healthcare Enhancement for Local Public Safety* (HELPS) component. Basically, this component grants eligible retired public safety officers an annual federal income tax exclusion of up to $3000 for amounts paid to cover the cost of qualified health insurance premiums on behalf of the member, his or her spouse, or dependents. To qualify, premiums must be paid through payroll deduction directly from the member's pension plan benefits.

Currently there are three categories of health insurance programs for which FPPA can make direct premium payments through a deduction from a member’s pension benefit:

- an Employer group health or FPPA sponsored insurance program,
- certain AARP Plans, and
- individual third party insurance programs.

The information below applies ONLY the individual third party insurance program category.

**New Third Party Insurance Programs Named**

Early in the administration of HELPS FPPA agreed to include retirees having existing individual policies with third party insurance carriers who comply with FPPA requirements. If you choose to take advantage of HELPS through one of these carriers, visit our web site for more information. To date the following insurance programs have entered into an agreement with FPPA to participate in the program:

- **American Republic Insurance Company** | (800) 247-2190 • AmericanRepublic.com
- **Blue Cross & Blue Shield of Florida** | (904) 791-6111 • bcbshl.com
- **Equitable Life & Casualty Insurance Company** | (800) 352-5150 • EquiLife.com
- **Humana Health Plan, Inc.** | (800) 351-2857 • Humana-One.com
- **Reserve National Insurance Company** | (800) 654-9106 • ReserveNational.com
- **NEW listing for 2009! Rocky Mountain Health Plan** | (800) 515-5153 • RMHP.org

The following insurance provider **declined to participate** in the third party insurance program:

**Blue Cross & Blue Shield of Nebraska. FPPA**

For complete information about the Healthcare Enhancement for Local Public Safety (HELPS) provision visit our web site at [FPPAco.org](http://FPPAco.org)
In 2009, three bills were passed and signed into law by the Governor that have a significant impact of pension and disability plans administered by FPPA.

**House Bill 09-1030 - FPPA Pension Plan IRS Qualification**

House Bill 09-1030 is a bill proposed by the FPPA which empowers the FPPA to more effectively ensure that the plans that are part of the Statewide Defined Benefit System comply with Federal IRS plan qualification requirements. This bill also permits the FPPA to create a master Old Hire plan document which the local old hire pension boards may adopt in order to ensure IRS plan qualification. FPPA will be drafting the model plan in 2010.

**Senate Bill 09-017 - FPPA Disability and Survivor Benefits**

Senate Bill 09-017 was also proposed by the FPPA and makes a number of changes to the Statewide Death and Disability Plan as follows:

- Repeals the earned income offset for occupational disability benefits.
- Repeals the requirement that a dependent child between the ages of 19 and 23 be enrolled in a secondary school or an accredited institution of higher education.
- Repeals the termination of benefits upon remarriage for survivors of members awarded total disability benefits prior to January 1, 2000, and clarifies the termination statute.
- Repeals the board's authority to implement a supplemental disability benefit program. (This program has never been implemented.)
- Includes an offset for statewide defined benefits for a member or survivor who subsequently receives a disability or survivor benefit from the Statewide Death and Disability Plan.
- Includes the requirement for payment by the employer of the excess contribution over the sixteen percent rate for members in the Statewide Defined Benefit System (for those members paying the re-entry rate) who are found temporarily disabled and subsequently receive a normal retirement benefit.
- Clarifies the applicability of on-duty status for temporary occupational benefits and permanent occupational benefits.
- Repeals obsolete language allowing totally disabled members to elect a new survivor benefit upon the implementation of the flat benefit in 2000.

**Senate Bill 09-227 - Old Hire Funding**

Finally, Senate Bill 09-227 addresses the state's financial assistance to certain "Old Hire" fire and police plans. The Legislative Joint Budget Committee proposed this bill to assist the state with current budget shortfalls. The bill eliminates state payments to certain unfunded old hire plans in 2008-09, 2009-10, and 2010-11, and extends payments through 2014-15.

Under leadership from the Colorado Municipal League, this bill included a modification of the way the annual employer contribution amount is calculated for Old Hire plans that are affiliated with the FPPA and that are not receiving contributions. Previously, Colorado Revised Statutes § 31-30.5-404 required that the liability of unfunded past service be amortized over a period ending December 31, 2021. The legislation now allows the liability of unfunded past service to be amortized over a period not to exceed the lesser of twenty years or the number of years equal to the average remaining life expectancy of the pension fund's members. In most cases, this modification will significantly lengthen the period over which the amortization is calculated, thereby reducing the required annual contributions. Additionally, the amortization now is calculated over a rolling twenty year period instead of a fixed period. For those plans which have a shorter average remaining life expectancy, the amortization requirements appropriately ensures adequate contributions to fund the plan through the expected remaining period of benefit payments.
Based on the results of recent annual actuarial valuations of the Plans in the FPPA Defined Benefit System and the Statewide Death & Disability Plan, the Board of Directors approved the following SRA, Contribution Rates and COLA’s.

**Stabilization Reserve Account - SRA**

**SRA Allocation Rates**

*For the FPPA Defined Benefit System*

An SRA allocation may be made yearly depending on whether contributions payable to a plan fund within the FPPA Defined Benefit System (with the exception of the Statewide Hybrid Plan Tier - see paragraph at the top of the next page) exceed the cost of funding the plan’s defined benefits. Any excess may be allocated from employer contributions to an SRA account in each member’s name. A member’s SRA account only vests and becomes available to the member upon retirement. This account is in addition to a normal, vested, early or deferred retirement pension. For more information on SRA accounts, please refer to the web or call FPPA.

The FPPA Board of Directors has set the following SRA contribution rates for Plans within the FPPA Defined Benefit System.

The SRA rate for the **Statewide Defined Benefit Plan** is 0%. The Board concluded that the entire required 16% combined contribution rate from members and employers should be allocated to the actuarial account in order to ensure appropriate funding of the Plan’s defined benefits and to provide funding for future cost-of-living adjustment (COLA) increases. This SRA contribution rate went into effect July 1, 2009.

The SRA rate for **members of a money purchase plan who re-entered the Statewide Defined Benefit System** is 3.82%. The required 20% combined contribution rate from members and employers in this tier fully funded this plan with a total surplus of 3.82% (3.82% for this group + 0% base SRA). This SRA contribution rate went into effect July 1, 2009.

The SRA rate for **members of the Social Security Supplemental Plan Component** is 0%. The Board concluded that the entire required 8% combined contribution rate from members and employers should be allocated to the actuarial account in order to ensure appropriate funding of the Plan’s defined benefits and to provide funding for future COLA increases. This SRA contribution rate went into effect July 1, 2009.

The Colorado Springs New Hire Pension Plan became a part of the FPPA Defined Benefit System on October 1, 2006. The SRA rate for **members of the Colorado Springs New Hire Pension Plan - Fire & Police Components** is 0%. The Board concluded that the entire required contribution rate from members and employers should be allocated to the actuarial account in order to ensure appropriate funding of the Plan’s defined benefits. This SRA contribution rate is effective January 1, 2010.

*For the Statewide Hybrid Plan Tier*

Excess contributions, if any, to the Statewide Hybrid Plan are made to the member’s money purchase component account and therefore no SRA is awarded.
**Contribution Rates**

**Statewide Death & Disability Plan**

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.

In 2008 the Statewide Death & Disability Plan contribution rate was set at 2.6% and is effective from January 1, 2009 through December 31, 2010. According to Colorado Revised Statute (C.R.S., 31-31-811(4)) contributions may be increased or decreased by 0.1% every two years as determined by the FPPA Board following an actuarial review.

**The Statewide Hybrid Plan - Defined Benefit Component**

The FPPA Board of Directors set the Defined Benefit Component of the Statewide Hybrid Plan contribution rate at 11.4% effective July 1, 2009. Each department in the Statewide Hybrid Plan establishes a total contribution rate. After the 11.4% is allocated to the Defined Benefit Component, the remainder of the total contribution rate is then directed to the Money Purchase Component.

**The Colorado Springs New Hire Pension Plan Tier - Police & Fire**

The Board of Directors set the following contribution rates for the Colorado Springs New Hire Pensions Plans effective January 1, 2010. The Police Component contribution rate is 29.284% (21.284% employer + 8% member). The Fire Component contribution rate is 25.133% (15.133% employer + 10% member).

**Cost-of-Living - COLA**

**COLA (Cost-of-Living) Adjustments**

Colorado Revised Statutes provide that COLAs to statewide plans administered by FPPA are to be determined by the FPPA Board of Directors each year (with the exception of Colorado Springs - see below). Announced annual COLAs are effective every year beginning October 1.

A 1.35% COLA for 2009 was granted for all retirees and beneficiaries of the Statewide Defined Benefit Plan who were retired on or before October 1, 2008. Those who retired after October 1, 2008 will have their benefit adjusted by the COLA percentage announced next October.

A 3.0% COLA for 2009 was granted for all retirees and beneficiaries of the Statewide Defined Benefit Component who were retired on or before October 1, 2008. Those who retired after October 1, 2008 will have their benefit adjusted by the COLA percentage announced next October.

Under the Statewide Death & Disability Plan, totally disabled members are granted a fixed 3.0% COLA each year on October 1. Occupationally disabled members and survivors of active members are granted a COLA at the discretion of the FPPA Board of Directors. At the May 2009 Board meeting - occupationally disabled members and survivors of active duty members were granted a 0.4% COLA.

Effective October 1, 2009 the following COLAs will be granted for certain retirees of the Colorado Springs New Hire Pension Plans: for the Fire Component = 3.0% and for the Police Component = 3.0%. For both components COLAs begin on the October 1st immediately prior to a member turning age 60 (Police) or 65 (Firefighter) or 10 years after benefit payments commence, whichever is earlier. Thereafter the COLA changes are effective October 1st of each year.
Statement of Plan Net Assets*

Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 6,026,931</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$ 3,159,333,955</td>
</tr>
<tr>
<td>Total Receivables</td>
<td>$ 355,070,041</td>
</tr>
<tr>
<td>Properties and Equipment at Cost, Net of Accumulated Depreciation</td>
<td>$ 5,810,018</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$ 249,893</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 3,526,490,838</strong></td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables, Pending Trades &amp; Accrued Expenses</td>
<td>$ 918,578,177</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$ 918,578,177</strong></td>
</tr>
<tr>
<td><strong>Net Assets Held in Trust for Pension Benefits</strong></td>
<td><strong>$ 2,607,912,661</strong></td>
</tr>
</tbody>
</table>

Statement of Changes in Net Assets

From Investment Activities

- Change in Net Assets Derived from Investment Activities: $ (1,072,989,641)

From Participant Activities

- Funds Invested by Members & Employers: $ 188,405,562
- Funds Withdrawn by Members & Employers: $ (215,398,106)
- Administrative Expenses: $ (4,984,384)

Net Increase in Plan Assets: $ (1,104,966,569)

Net Assets Available for Pension Benefits

- Beginning of Year: $ 3,712,879,230
- End of Year: $ 2,607,912,661

*The Statement of Plan Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2008 for all plans administered by FPPA is based on the official audit report on the fund prepared by Bondi & Co. LLP.

Asset Allocation As Of December 31, 2008

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equities</td>
<td>35.7%</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>26.2%</td>
</tr>
<tr>
<td>International Equities</td>
<td>16.6%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>10.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>7.7%</td>
</tr>
<tr>
<td>Cash &amp; Short Term</td>
<td>1.5%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

The statements on this page are highlights taken from the FPPA Comprehensive Annual Financial Report for the year ended 2008.

To view or print a copy of the FPPA Comprehensive Annual Financial Report, visit our web site at www.FPPAco.org and click on Publications. Or to request a printed copy of the report, call FPPA at (303) 770-3772 in the Denver Metro area or toll free (800)332-3772 nationwide. FPPA
Governor Bill Ritter has named Susan Eaton (left) to the Fire and Police Pension Association Board of Directors. Susan Eaton is the Director of Human Resources for the City of Englewood and represents Colorado municipal employers. She began her term on the FPPA Board of Directors at the April 2009 Board meeting and her term will extend until September 2010. Ms. Eaton fills the seat vacated by Patty Fannin of Colorado Springs. Patty resigned early from her term on the Board in 2009 for personal reasons. She served on the FPPA Board since 2007 and leaves the position with our gratitude for her service to the membership.

Clifford Stanton (right) was also named to the Board by the Governor, representing the state’s financial or business community with experience in investments. Clifford is the Chief Investment Officer for Prima Capital Holding, Inc., of Denver. He replaces the position previously held by Kris Gardner, Senior Vice President, Alpine Banks of Colorado in Glenwood Springs. Kris served on the FPPA Board of Directors since 1988. We are also grateful to Kris for her many years of service to our members.

In addition Kirk Miller (far right) was re-appointed by the Governor for another term. Kirk Miller is a Corporal with the Denver Police Department. He fills the position on the Board requiring that a Board member be an active police officer.

During the August 2009 Board meeting, the Board elected Leo Johnson (left) as FPPA Board Chair. Leo fills the position on the Board representing special districts. At the same Board meeting Tim Nash (right) was elected as the FPPA Board Vice Chair. Mr. Nash is the Director of Finance for the City of Greeley and represents Colorado municipal employers.

The FPPA Board of Directors conducts its regular meetings at our FPPA Greenwood Village offices. A current schedule of Board meetings can be accessed on our web site at www.FPPAco.org by clicking the Board of Directors link on the left of the page. There you will also find more information about the Board as well as minutes from previous Board meetings.

As of June 30, 2009 FPPA announced that total assets of the defined benefit plans (including the SRA) are $2.49 billion.
### Articles in This Issue

1. **From The Desk of Dan Slack**  
   FPPA CEO
2. **New 3rd Party Insurance Programs Named for HELPS**
3. **Legislative News**
4. **Annual Rates Announced**
5. **Comprehensive Annual Financial Report Highlights**
6. **2008 Annual Report Available**
7. **FPPA Board of Directors**
8. **FPPA Total Assets & Investment Returns**
9. **Find FPPA Information ONLY From FPPA**

---

#### Find FPPA Information

At some point in your retirement planning you may need information about the bigger retirement picture and you may want to seek advice from a trusted financial advisor. Financial advisors are the generalists in the field of money management. They can assess your overall financial picture with an eye on your investments, savings, debts, insurance, and other big areas of your money life. Some are equipped to offer estate planning advice or input on your tax situation. Many make investment recommendations, such as mutual funds or even specific stocks. The best ones can objectively put your finances into context and help you arrive at the best money moves for your future.

Be cautious of financial planners who infer a relationship with FPPA or claim to be experts on your FPPA benefits. While FPPA has a record keeping agreement with Fidelity Investments, which can provide retirement advice for FPPA members at no cost, we do not endorse or have affiliations with financial planning firms. FPPA or Fidelity will never give out private member information without the express written consent of our members.

FPPA staff members are experts in the benefits we provide. We are just a phone call away and are happy to answer any plan or benefit question you have. You may call (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. Our website at www.FPPAco.org is also a good place to learn more about your benefits.

---

The Fire and Police Pension Association does not endorse any provider of financial advice. Members seeking financial advice or planning assistance are encouraged to carefully select credentialed professionals. Members seeking education on FPPA benefits should only contact FPPA at the numbers listed above.