As I write this article, we continue to be in a period of economic uncertainty. The financial markets have had four positive months and four negative months in 2010. Unemployment remains high and businesses and consumers remain cautious. In this environment, FPPA continues to invest through a diversified portfolio, oriented towards the long term.

During the last year, the board of directors and staff of FPPA have been conducting a comprehensive review of our own governance. As I mentioned in the last newsletter, we have conducted an asset liability study. As a result, we have revised our asset allocation in a manner that we believe reduces the overall risk in the investment portfolio (bear in mind that some risk has to be taken to achieve investment return). We have created an Investment Risk Committee, consisting of two board members, FPPA’s general counsel, and me, in order to provide additional and comprehensive oversight to the investment process.

In addition, the board of directors has adopted a new strategic plan for 2010-2012, which staff is working to complete over this period. The board has reviewed and revised the FPPA governance manual and FPPA’s ethics policy. The board has created a dedicated audit committee to oversee the internal and external audits of FPPA. A search is being conducted for a service provider for our self-directed investment options (Fidelity, the incumbent, can and has re-bid). Through all of these efforts, the board and staff are committed to achieving and maintaining best practices in the administration of your retirement and disability benefits.

As we see the methods of communication that are prevalent today, we want to be able to provide more information to you electronically. This will reduce expenses and get information to you in a more timely manner. In that regard, please look for requests from FPPA for your email address. We are striving to build our database of member email addresses – which will be used only by FPPA and not provided to anyone else. Please give us your email address and help us cut administrative costs and get material to you more quickly and efficiently.

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, 2008. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports. 2008 marks the 15th consecutive year FPPA has been given this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an 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.
Michelle Romano has been named FPPA Employee of the Year. Michelle is the Payroll Accountant in the Operations Division. She has worked at FPPA for 11 years and in that time has held many titles - all within the Accounting Department of the Operations Division.

Employee of the Year is an award voted on by staff to recognize one co-worker in the organization for their “extra mile” contribution to daily operations at FPPA. Michelle’s co-workers all appreciate her relentless attention to detail and willingness to help out with a variety of projects. When giving the award to Michelle, Dan Slack, FPPA CEO remarked, “Michelle brings to FPPA the kind of experience and consistency that any organization would be lucky to have. And the fact that she was selected for this award by her peers makes this recognition even more special.”

On behalf of the FPPA Board of Directors and Staff, thanks Michelle! FPPA
In 2010, the following four bills were passed and signed into law by the Governor that have a significant impact on pension and disability plans administered by FPPA. As always you may find the status of the most recent legislation on the FPPA website at www.FPPAco.org.

**Senate Bill 10-022 | Authority for an election to approve an increase in the member contribution rate.**

- Offers a proactive measure driven by member request to further secure the benefits provided by the Statewide Defined Benefit Plan.
- Authorizes the Board to hold an election of the members and employers, to approve an increase in the member contribution rate in the Statewide Defined Benefit Plan.
- If an increase in the member contribution rate is approved, it would not affect the employer contribution rate.
- The increase in the member contribution rate shall not be subject to negotiation for payment by the employer.
- Approval process would follow the procedure for plan amendments. Member and employer approval are required.
- Provides a potential source to accrue funds for future ad hoc cost-of-living-adjustments (COLAs) for retirees.
- In the unlikely event that benefit rollbacks would otherwise be required due to adverse financial markets, allows member to choose the alternative of increased member contributions.

**Origin |** This proposal was originally brought to the FPPA Board by active members of the plan. The legislation is a proactive measure that gives the Board, in conjunction with members and employers, the ability to increase the member contribution rate through an election process. The idea was proposed as a way to increase potential funding for future COLAs for retirees or, alternatively, in the event of significant market losses and reduction in funding status, to provide additional protection against the Board being required to reduce or eliminate Separate Retirement Accounts, rollback member approved plan amendments, or increase the retirement age.

**Timing |** There is no specific time frame for the Board to conduct an election, and no election is currently being planned. The Statewide Defined Benefit plan is currently actuarially sound and adequately funded. Members may still wish to pursue a contribution increase to help ensure the fund’s ability to pay a meaningful cost of living adjustment in retirement. This legislation simply grants authority to conduct an election and implement a member contribution rate increase if approved. An approved increase in the member contribution rate may be subsequently repealed through the election process.

**Overview |** The FPPA Board feels that the legislation creates an appropriate opportunity for the members to decide, through the process of an election, whether increased funding through a higher member contribution rate outweigh the creation of a disproportionate contribution rate between employer and member.

*The passage of this bill alone does not change the member contribution rate.*
Based on the results of recent annual actuarial valuations of FPPA Plans, 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 within the FPPA Defined Benefit System (with the exception of the Statewide Hybrid Plan - see paragraph at the bottom of this 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 FPPA’s website or call FPPA.

The SRA rate for the **Statewide Defined Benefit Plan** is 0%. This SRA contribution rate went into effect July 1, 2010. 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.

The SRA rate for **Re-Entry Members** (those members of a money purchase plan who re-entered the Statewide Defined Benefit System) is 3.66%. This SRA contribution rate went into effect July 1, 2010. The required 20% combined contribution rate from members and employers in this tier fully funded this plan with a total surplus of 3.66% (3.66% for this group + 0% base SRA).

The SRA rate for the **Social Security Supplemental Plan** is 0%. This SRA contribution rate went into effect July 1, 2010. 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.

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%. This SRA contribution rate is effective January 1, 2011. 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.

For the **Statewide Hybrid Plan**

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
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. Based on the 2010 actuarial results the FPPA Board of Directors agreed to continue the 2.6% contribution rate effective through December 31, 2012. 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 Defined Benefit System
Statewide Defined Benefit Plan - This plan remains set at 16% combined contribution rate - members (8%) and employers (8%).

Reentry Members to the Statewide Defined Benefit Plan - The SRA rate for members of a money purchase plan who re-entered the Statewide Defined Benefit System is set at 20% combined contribution rate from members and employers. Members contribution may not be less than 8% with the actual split of contributions to be determined by the employer in conjunction with its members.

FPPA Social Security Supplemental Retirement Plan - The Social Security Supplemental Retirement Plan remains set at 8% combined contribution rate from members (4%) and employers (4%).

Colorado Springs New Hire Pension Plan Tier - Police & Fire - Effective January 1, 2011; the Police Component contribution rate is 28.906% (20.906% employer + 8% member), and the Fire Component contribution rate is 25.095% (15.095% employer + 10% member).

Statewide Hybrid Plan
Defined Benefit & Money Purchase Components - Effective July 1, 2010 the contribution rate was set at 11.5%. Each department in the Statewide Hybrid Plan establishes a total contribution rate. After the 11.5% is allocated to the Defined Benefit Component, the remainder of the total contribution rate is then directed to the Money Purchase Component.

Money Purchase Component (ONLY) - The contribution rate for this component remains at 16% with the member and employer rates established by the employer's resolution.

Cost-of-Living Adjustment - 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.

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. The Board decided that occupationally disabled members and survivors of active duty members will not receive a COLA in October 2010. The decision was based on the CPI-W information as noted below.

The Board decided not to grant a COLA to the retirees and beneficiaries of the Statewide Defined Benefit Plan and the Statewide Hybrid Plan - Defined Benefit Component for October 2010.

Historically, the Board has considered the CPI-W from the prior year in setting the ad hoc COLA. The CPI-W for 2009 was -0.7%. The Social Security Administration also did not grant a COLA on January 1, 2010. Based on this information and with the intent to ensure appropriate funding of the plans, the Board decided not to grant a COLA.

Effective October 1, 2010 no COLAs will be granted for certain retirees of the Colorado Springs New Hire Pension Plans Fire & Police Components. For both components COLAs are based off of the CPI-W from the prior year. The CPI-W for 2009 was -0.7%.
**Statement of Plan Net Assets**

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 13,281,535</td>
</tr>
<tr>
<td>Total Investments</td>
<td>3,221,030,806</td>
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<tr>
<td>Total Receivables</td>
<td>116,469,715</td>
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<tr>
<td>Properties and Equipment at Cost, Net of Accumulated Depreciation</td>
<td>7,024,787</td>
</tr>
<tr>
<td>Other Assets</td>
<td>170,372</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 3,357,977,215</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables, Pending Trades &amp; Accrued Expenses</td>
<td>288,513,984</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$ 288,513,984</td>
</tr>
<tr>
<td>Net Assets Held in Trust for Pension Benefits/</td>
<td></td>
</tr>
<tr>
<td>Fund Balance Reserved for Withdrawals</td>
<td>$ 3,069,463,231</td>
</tr>
</tbody>
</table>

**Statement of Changes in Net Assets**

**From Investment Activities**
- Change in Net Assets Derived from Investment Activities: $515,320,880

**From Participant Activities**
- Funds Invested by Members & Employers: 180,948,441
- Funds Withdrawn by Members & Employers: (228,889,230)
- Administrative Expenses: (5,829,521)
- **Net Increase in Plan Assets**: $461,550,570

**Net Assets**
- **Beginning of Year**: $2,607,912,661
- **End of Year**: $3,069,463,231

*The Statement of Plan Net Assets which certifies the financial condition of FPPA’s benefit fund at the close of 2009 for all plans administered by FPPA is based on the official audit report on the fund prepared by Clifton Gunderson LLP.*

**Asset Allocation As Of December 31, 2009**

- **International Equity**: 20.5%
- **Domestic Equity**: 37.8%
- **Core Fixed Income**: 22.4%
- **Private Capital**: 11.3%
- **Real Estate**: 4.1%
- **Cash**: 2.0%
- **High Yield Bonds**: 1.9%

The statements on this page are highlights taken from the FPPA Comprehensive Annual Financial Report for the year ended 2009.

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.
Senate Bill 10-023 | Return to Work by an FPPA Member participating in the Defined Benefit System

- Empowers FPPA to address the situation when a member retires from the FPPA Defined Benefit System and then subsequently returns to work for an employer as an FPPA “Member”.
- Authorizes the Board to adopt rules to suspend the pension benefits of a member who participates in the defined benefit system, separates from service, elects a retirement, and subsequently returns to work with a FPPA Defined Benefit System employer.
- Authorizes but does not require the Board to adopt rules allowing a member who has reached normal retirement age, separated from service, elected a retirement benefit under the FPPA Defined Benefit System, and subsequently returns to work to continue receiving distribution of benefits and earn additional retirement benefits in an alternate money purchase plan.

Overview | This legislation gives the FPPA Board authority to adopt rules to address situations where a member returns to work after retirement. Upon passage of the legislation, the Board may or may not authorize the continuation of benefit payments during a member’s return to work. Further study is necessary to determine the actuarial/financial impact on the plan and compliance with the Internal Revenue Code requirements.

Senate Bill 10-024 | Elimination of the local money purchase plan affiliation.

- Repeals a statutory provision that is currently obsolete.
- Eliminates the ability of local money purchase plans to affiliate with the Fire and Police Pension Association solely for investment and administration. Currently there are no such affiliated local money purchase plans. (Previous FPPA affiliated local money purchase plans have joined the FPPA Defined Benefit System.)
- Local money purchase plans would continue to be able to merge into the Statewide Money Purchase Plan or to re-enter the FPPA Defined Benefit System.

House Bill 10-016 | FPPA Retiree Board Member Term Extension.

- Extends the term of the retired firefighter or police officer serving as a member of the FPPA Board of Directors from 4 years to 6 years.
- Currently the “retiree” representative on the FPPA Board alternates between a retired police officer and a retired firefighter every 4 years. Because of this rotation this board member cannot be reappointed for a consecutive term; unlike the other 8 members.
- The FPPA Board feels that an extended term for the rotating membership would be of more value to FPPA because of the learning curve required for board participation.

The following individuals have separated service from a Colorado fire or police department and are due a refund from FPPA. Unfortunately, we do not have their current addresses. If you are in contact with anyone listed below, please have them contact FPPA immediately so that we may process their refund.

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Separated Service From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven J. Brown</td>
<td>Evans Police</td>
</tr>
<tr>
<td>Samuel J. Dunckhorst</td>
<td>Colorado Springs Police</td>
</tr>
<tr>
<td>Brian J. Florez</td>
<td>Firestone Marshalls</td>
</tr>
<tr>
<td>Nicholas F. Huber</td>
<td>Denver Police</td>
</tr>
<tr>
<td>Eric K. Klaas</td>
<td>Windsor Severance FPD</td>
</tr>
<tr>
<td>Meaganleah McMillin</td>
<td>Ignacio Police</td>
</tr>
<tr>
<td>Aaron P. Medina</td>
<td>Denver Police</td>
</tr>
<tr>
<td>Gregory J. Orr</td>
<td>Denver Police</td>
</tr>
<tr>
<td>Karyn S. Palgut</td>
<td>Colorado Springs Fire</td>
</tr>
<tr>
<td>Randy L. Palmer</td>
<td>Gilcrest Police</td>
</tr>
<tr>
<td>Mark C. Tracy</td>
<td>Lone Tree Police</td>
</tr>
<tr>
<td>Steven D. Watson</td>
<td>Erie Police</td>
</tr>
</tbody>
</table>
Governor Bill Ritter has named Jack E. Blumenthal (right) to the Fire and Police Pension Association Board of Directors. Mr. Blumenthal is a Principal at Causey Demgen & Moore, Inc. in Denver and fills the position on the Board representing the business community with experience in corporate administration. He began his term on the FPPA Board of Directors at the November 2009 Board meeting and his term will extend until September 2010. Jack fills the position vacated by Mark Sunderhuse who ended his Board term for personal reasons. Mark leaves his seat on the Board with our gratitude for his service to FPPA Members.

Lyle Hesalroad (left) was also appointed by the Governor to fill the position on the Board calling for alternative terms of a retired police officer or retired firefighter. Lyle is a retired Police Captain from the Denver Police Department and previously served on the FPPA Board of Directors from 2002-2005. Lyle brings to the position a wealth of experience in service to the Board of Directors and we are fortunate to see him return.

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 side of the page. There you will also find more information about the Board as well as minutes from previous Board meetings.