

FPPA Pension CHECK

A review of your retirement benefits.

Fall 2004

Statewide Election Results!

Three Amendment Election Results for Members of The Statewide Defined Benefit Plan



Colorado State Statute allows for benefit changes to the Statewide Defined Benefit Plan be brought before the membership in the form of an election. The recent election held this past spring was for Employers and active Members in the Statewide Defined Benefit (SWDB) Plan and the Statewide Money Purchase (SWMP) Plan.

When reading the following results of the election, please bear in mind that in order to become effective each amendment must have been approved by an affirmative vote of at least 65% of the active plan members and more than 50% of their employers.

Amendment #1 FAILED

Members able to self direct the SRA monies in their accounts in any investment option offered by FPPA, once the members have retired or entered DROP.

Previous Plan Provision

In the current plan, SRA monies are commingled for investment purposes in the Fire & Police Members' Benefit Fund and earn investment return based on the performance of the fund, or members may choose the rate of a short-term investment selected by the FPPA Board.

- *Cost of this amendment (as annual % of pay) = 0%*

Amendment #2 PASSED

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, or the surviving spouse of a deceased participant, 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.

Previous Plan Provision

A participant in the DROP who terminates employment and becomes a retiree, or the surviving spouse of a deceased participant, must select a payment option within 30 days of retirement. If no selection is made by the retiree or surviving spouse within 30 days of retirement, the lump sum payment method shall be utilized.

- *Cost of this amendment (as annual % of pay) = 0%*

Amendment #3 PASSED

To allow members who have an SRA account and/or a DROP account to make a one-time, irrevocable election at retirement or separation of service, whichever comes later, to purchase a monthly benefit from the Statewide Defined Benefit Plan.

This amendment will be a new plan provision.

- *Cost of this amendment (as annual % of pay) = 0%*

If you would like more information about the above election results or have further questions, please contact FPPA's Benefits Department at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide.

continued on next page

Statewide Election Results!

Continued from the Front Page

Statewide Health Care Defined Benefit Plan Election Results

and

Announced Re-Election

For Members of

The Statewide Defined Benefit Plan

The Statewide Money Purchase Plan

and the Newly Created

Statewide Hybrid Plan

Statewide Health Care Defined Benefit Plan FAILED

In Way Of History...

Before we summarize the upcoming Statewide Health Care election, we want to share with you why the recent vote on this ballot item failed.

Below are the results of the member election:

	57% voted in favor of the plan	(2,086 members)
	16% voted against the plan	(579 members)
	27% did not vote	(979 members)

An affirmative vote of at least 65% of active plan members is required in order to implement the plan; consequently, the measure failed. In large part, it failed due to such a high percentage of non-voters. For whatever reason, they failed to cast their ballots in this very important election. Not to be ignored are the 16% that voted against the plan.

And Now Moving Forward...

After the ballots were counted and certified, FPPA staff went to work immediately, asking for membership feedback as to why they voted against the plan. We took the information to the FPPA Board, and the Board decided to rerun the election. They also approved some plan amendments that they thought the membership might find more desirable. Some of the most significant changes are listed below.

- Based on a contribution rate of 1% of base salary, the monthly retirement benefit will equal 0.19% of the average of the highest 3 years' salary (HAS) multiplied by years of health care service credit. As an example:
 - A member retiring with 25 years of service
 - with a 3-year HAS of \$64,000 (the average pay for those members eligible for retirement), = would be entitled to a monthly health care benefit of \$253.
- VS.
- If the same member had 10 years of health care service credit, = he/she would receive a monthly benefit of \$101.

In mid-February 2005, FPPA plans to conduct a second election for active police officers and firefighters covered by all statewide plans listed on the left.

- No service maximum applies.
- Members who are active in a Statewide Retirement Plan or in a local plan that subsequently enters a Statewide Retirement Plan where they become Health Plan Members are eligible for one half of the health care service credits for each month of service prior to implementation of the Plan.

- The health care service credit earned will be payable for 10 years. There will be no automatic benefit reduction after Medicare eligibility. Benefits increase by up to 3% Cost-of-Living Adjustment/year (maximum).

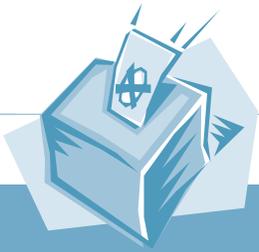
- The benefit will reimburse members for any type of premium for medical insurance (e.g. health, dental, vision, long-term care, etc., but not life insurance).
- If a member should die before the end of the 10-year payout period, the spouse, dependent children, or if member has neither, the beneficiary would continue to receive payments until the end of the 10-year period.

At this time, the target effective date of the amendments will be January 1, 2006. Please keep in mind that the benefits described in this summary are of a general nature and are subject to change as the plan is finalized by the FPPA Board. More specific information regarding the plan will be available during the plan election process.

In mid-February 2005, FPPA plans to conduct a second election for active police officers and firefighters covered by all statewide plans listed on the left. This is an important election because the plan will only be implemented if 65% of members in all of the Statewide Plans vote in favor of adopting the plan. So, talk amongst yourselves, talk to other departments, and help spread the word to encourage your fellow firefighters & police officers to vote!

continued on next page





2004 Statewide Health Care Defined Benefit Plan Election Timeline

February 10 March 11	Voting materials mailed or picked up by Employers. Member election commences any time following receipt of materials and concludes on 30 th day after postmark.
April	Employers certify and deliver election results to FPPA. FPPA Board certifies results of SW Health Care Plan election and mails certification to Employers.
August	Employers submit governing bodies decisions whether or not to participate. <i>(If less than the majority of members vote in favor.)</i> Final approval by FPPA Board.
January 1, 2006	Effective date of The Statewide Health Care Defined Benefit Plan (if passed).

As election plans become final, FPPA will furnish complete information to all participating members and employers. Until then, visit our web site for more information as it becomes available.

The Statewide Hybrid (SWH) Plan is now in full operation; and makes it possible for local money purchase plans and the Statewide Money Purchase Plan to migrate to a defined benefit plan.

Local plan interest level has been extremely high. Staff has been meeting with many employers and members interested in entering the SWH Plan. We are pleased to announce that two local money purchase plans have completed the process and are now part of the FPPA System. Welcome to Westminster Fire and Trinidad Fire! Other Departments have filed resolutions to enter the Plan and member elections are scheduled later this year for January 2005 entry.

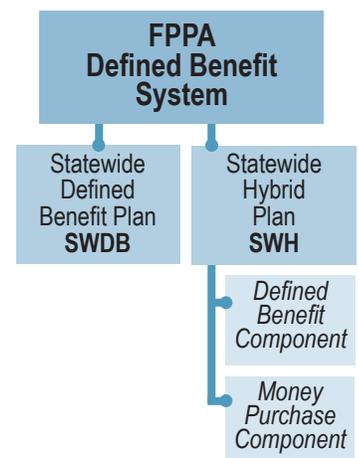
To summarize the plan highlights (see chart to the right ▶): SWH Plan is one of two tiers of the FPPA Defined Benefit System. The other tier is the Statewide Defined Benefit (SWDB) Plan. One System for these two Plans allows for greater portability and flexibility in the benefits under the two tiers.

The SWH Plan offers a combination of a Defined Benefit Component and a Money Purchase Component. Active members of the Plan on the effective date of transfer may elect to participate in both Components of the Plan or they may choose only to participate in the Money Purchase Component of the plan. The employer may also elect to offer the members a third option to participate in the Statewide Defined Benefit (SWDB) Plan tier.

Contact the Benefits Department at FPPA if you would like to arrange a meeting to discuss the features of the SWH Plan and the process for entering the FPPA Defined Benefit System.

For additional information on the SWH Plan, visit the FPPA website at www.FPPAco.org. Click on the link for more information under the “What’s New” window. There you may view or download copies of the actual Plan Document, an Executive Summary, the Statewide Hybrid Plan Rules and Regulations as well as a plain language document created as a Status Report for the Statewide Hybrid Plan. **FPPA**

Statewide Hybrid Plan Update



FPPA Rules & Regulations Annual Public Hearing



The FPPA annual public hearing to consider changes to the association's rules and regulations was held on Wednesday, August 25th. 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;

- Provide for refunds to a member's designated beneficiary in certain circumstances under the Statewide Defined Benefit Plan.
- Provide for vesting under the Statewide Money Purchase Plan for members who are employed part-time and subsequently enter the Statewide Defined Benefit Plan.
- Clarify deadlines for issuance of written decisions regarding evidentiary hearings.
- Repeal rules relating to the administration of the State matching grant program for volunteer firefighter pensions. This program is now administered by the State Department of Local Affairs.

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**

2004 Member Handbook Available

The 2004 edition of the FPPA Member Handbook is available from FPPA. The handbook is available by any one of the following; visit our web site at www.FPPAco.org, stopping by our offices in the Denver Tech Center just east of I-25 on the Belleview Exit at 5290 DTC Parkway, or by giving us a call at (303) 770-3772 in Metro Denver or (800) 332-3772 toll free nationwide. **FPPA**

Cost of Living Adjustments

*Announced for
Statewide Plan
Retirees &
Beneficiaries
Effective October 1*



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 set 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 2.2% COLA for 2004 was granted for all retirees of the Statewide Defined Benefit Plan who were retired before October 1 of 2003. Those who retired after October 1 of 2003 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. As you are aware, 2000-02 was a difficult investment environment, negatively impacting the funded status of the Statewide Death & Disability Plan. In 2003 the markets rebounded, and the fund earned approximately 22%. With those returns, we were able to reduce the unfunded liability in the Statewide Death & Disability Plan by 30%, from \$43 million to \$30 million. Once the unfunded liability has been eliminated, the Board will again be in a position to grant ad hoc COLA increases. **FPPA**

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 effective January 1, 2005 through December 31, 2006 will be 2.5%. This rate was set at the July 2004 Board Meeting. 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**

D&D Contribution Rate

Employers of Statewide Death & Disability Plan Members



* For trailing 5 years, returns are gross of all fees; longer periods are net of private asset fees.

FPPA Investment Returns

As of December 31, 2003 Total Assets Exceeded \$2.432 Billion.

Earlier this year, the FPPA Board of Directors adopted Resolution 2004-3 which states, in part, that

“...the Association supports the efforts by the Department of Homeland Security and other appropriate federal agencies, to identify U.S. companies violating U.S. laws, rules, policies or other decrees by providing support to terrorism and to identify non-domestic companies whose actions support terrorism so that such companies may be denied access to the U.S. capital marketplace.”

A similar resolution has been adopted by the National Association of State Retirement Administrators and by many of the nation's largest public pension plans.

FPPA is aware of the services now being offered by a private company to identify companies doing business in countries sponsoring terrorism. The Denver Post recently ran an article concerning a study which includes analysis by the company of public funds' investments in over 400 companies identified as doing business in so-called terrorist states. The extent and nature of these business contacts vary widely and include humanitarian ventures and investment encouraged by our own government. In this context, FPPA continues to believe that the federal government and its agencies remain in the best position to assess national security risks.

In today's global economy, hundreds of large corporations conduct business throughout the world. As a fiduciary whose sole interest is to make decisions in the best interests of its participants, it is important for FPPA to access the investment opportunity represented by these corporations. Nonetheless, we remain concerned with the issue of corporations doing business in so-called terrorist nations and will continue to encourage the federal government to take appropriate actions against those companies whose activities threaten our national security. **FPPA**

FPPA Supports Government's Efforts To Identify Companies Supporting Terrorism



**Comprehensive
Annual
Financial
Report
Highlights**

*for the Fiscal
Year Ended
December 31, 2003*



Statement of Plan Net Assets

Assets

Cash and Cash Equivalents	\$ 2,747,238
Total Investments	2,783,744,735
Total Receivables	27,697,069
Properties and Equipment, at Cost, Net of Accumulated Depreciation	1,767,353
Other Assets	161,986
TOTAL ASSETS	\$ 2,816,118,381

Liabilities

Payables, Pending Trades & Accrued Expenses	316,151,252
TOTAL LIABILITIES	\$ 316,151,252

<i>Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals</i>	\$ 2,499,967,129
---	-------------------------

Statement of Changes in Net Assets

From Investment Activities

Change in Net Assets Derived from Investment Activities	\$ 441,061,479
---	----------------

From Participant Activities

Funds Invested by Members & Employers	113,663,445
Funds Withdrawn by Members & Employers	(163,866,525)
Administrative Expenses	(3,149,814)
	\$ 387,708,585

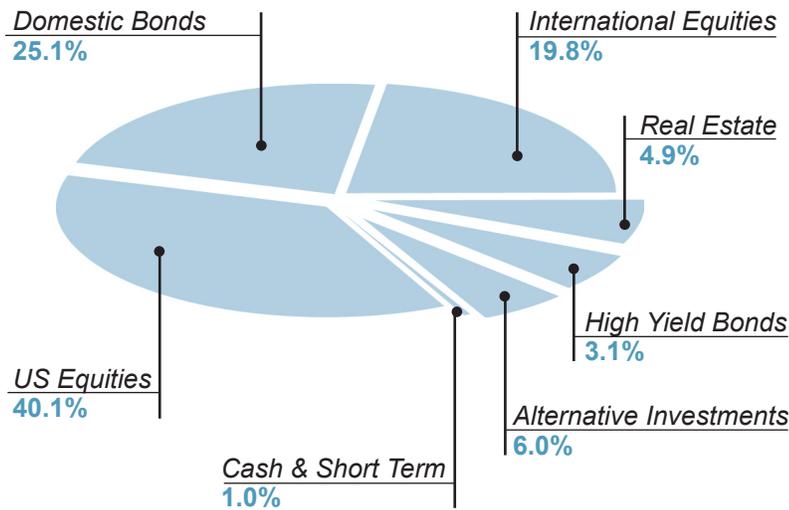
Net Assets

Beginning of Year	\$ 2,112,258,544
End of Year	\$ 2,499,967,129

This Statement of Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2003 is based on the official audit report on the fund prepared by Bondi & Co. LLP.

continued on next page

2003 Asset Allocation As Of December 31, 2003



The statements on the previous page and the chart above are highlights taken from the FPPA Comprehensive Annual Financial Report for the year ended 2003. To request a printed copy of the FPPA Comprehensive Annual Financial Report, contact FPPA by calling (303) 770-3772 in the Denver Metro area or toll free (800) 332-3772 nationwide. Or you may log on to www.FPPAco.org to view, download or print a copy of the report. **FPPA**

The FPPA Board of Directors has set the 2005 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, 2005.

The SRA balance is calculated in the following way. After the 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 2005 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 years percentage. **FPPA**

Report Highlights

Continued

SRA Rate Announced

Statewide Defined Benefit Plan Members



In This Issue

- 1 Statewide Election Results!
- 3 Statewide Hybrid Plan Update
- 4 FPPA Rules & Regulations Annual Public Hearing
- 4 Cost Of Living Adjustments
- 5 Death & Disability Contribution Rate
- 5 FPPA Investment Returns
- 5 FPPA Supports Government's Efforts To Identify Companies Supporting Terrorism
- 6 Comprehensive Annual Report Highlights
- 7 SRA Announced
- 8 New Form For Beneficiary Designation

www.FPPAco.org

5290 DTC Parkway, Suite 100, Greenwood Village, CO 80111-2721

(303) 770-3772 in metro Denver; (800) 332-3772 toll free nationwide

(303) 771-7622 fax

PRESORTED
FIRST-CLASS MAIL
US POSTAGE

PAID
Denver, CO
Permit #1442

return
service
requested

FPPA Membership Form

Statewide Defined Benefit Plan Statewide Hybrid Plan

INSTRUCTIONS - When filling out this form, please type or print legibly in ink. When the form is complete, return it to FPPA at the address above. You may want to keep a copy for your records. Check one box below.

NEW MEMBER - Complete the entire form.
New employees must also complete the **Statewide Standard Health History Form**.

CHANGES ONLY - Complete Part A below and any other information you wish to change.

REMINDER - You and a witness must sign and date the back of this form for it to become effective.

PART A - GENERAL INFORMATION

Last Name _____ First Name _____ Middle Initial _____ Social Security # _____
 Address _____ City _____ State _____ Zip _____ Date of Birth _____
 (Area Code) Home Phone Number _____ (Area Code) Work Phone Number _____ Spouse's Date of Birth _____
 Spouse's Name _____

PART B - HIRING EMPLOYER

Employer _____ Name of your new employer - city, town or district _____
 Hire Date _____ Gross Salary Per Month \$ _____ Employed _____
 Bank/Position _____ Average Number of Hours Per Week _____

PART C - BENEFICIARY DESIGNATION

This section is used only for benefits payable under the Statewide Defined Benefit (SWDB) Plan or the Statewide Hybrid (SWH) Plan-Defined Benefit Component for benefits payable upon death prior to retirement eligibility.

If this form is being submitted and indicates a change in Part C-Beneficiary Designation, the Member hereby elects to revoke any previous designated beneficiary and elects to make a designation as indicated.

In the future, you may revoke this form and designate a different beneficiary by completing and delivering to FPPA another Membership Form with the Beneficiary Designation section completed.

Designated Beneficiary of your SWDB or SWH Plan: _____ If you die while an active member and leave no surviving spouse or dependent children, the benefits shall be paid to the designated beneficiary.

continued on back

New Form For Beneficiary Designation

For Members of
The Statewide Defined Benefit Plan &
the Statewide Hybrid Plan

FPPA has created a new *Statewide Defined Benefit & Statewide Hybrid Plan Membership Form* which now includes Part C – Beneficiary Designation. This will better serve Members of the Statewide Defined Benefit & Statewide Hybrid Plans in the following situations:

1. Any active member who dies and leaves no surviving spouse or dependent children who are eligible for benefits under the Statewide Death and Disability Plan.
2. Any inactive vested member who dies prior to distribution of benefits.
3. Any active member who is eligible for a Normal Retirement and not participating in DROP.

This form is available by calling the FPPA office at (800) 332-3772 or from the web site, www.FPPAco.org. If you have questions when completing this form, please contact the FPPA Benefits Division. **FPPA**