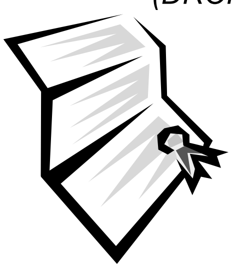
FPPA PensionCHECK

A review of your retirement benefits. *Fall 1999*

DROP

FPPA Receives IRS Letter for the Deferred Retirement Option Plan (DROP)



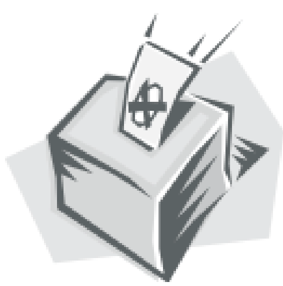
On May 7, 1999, FPPA received a favorable determination letter from the IRS for the Statewide Defined Benefit Plan Deferred Retirement Option Plan (DROP).

Under the plan any member who becomes eligible for a normal retirement may chose to participate in the DROP. Instead of terminating employment and receiving normal retirement benefits, a member may choose (with employer approval) to continue employment for a specified period of time not to exceed five years. A written agreement between the member and the employer is required. During this period of time the member's normal retirement benefits as well as employee contributions (8%) are paid into a DROP account. These amounts are invested with the FPPA Members Benefit Fund. At the end of the specified period of time, the member ceases employment and receives the amount accumulated in the DROP account. Payments from a DROP account may be made in monthly periodic payments or a lump sum distribution. The member also begins direct receipt of normal retirement benefits and his/her SRA account. While participating in the DROP, a member earns no additional service credit toward retirement. There are also no further contributions made to a member's SRA account.

Contact your own local retirement coordinator or FPPA for more information about the DROP. FPPA

Two Statewide Plan Elections On the Horizon

Statewide Defined Benefit Plan and Statewide Money Purchase Plan



Planning has begun for elections on possible amendments to the Statewide Defined Benefit ("New Hire") Plan and Statewide Money Purchase Plan. The New Hire Plan election is projected for early next year, and the Money Purchase Plan election is currently underway. Details of the voting outcome will be reported in future issues.

The purpose of the New Hire Plan election will be to give participating members and employers an opportunity to consider improving pension benefits by increasing the current 2% per year benefit accrual rate and eliminating the current 70% maximum benefit. One or more other items could be included on the ballot. Costs of the plan improvements, if adopted, would be paid by reducing future allocations paid into members' SRA accounts.

The purpose of the Money Purchase Plan election will be to give participating members and employers an opportunity to consider giving responsibility to members for investment of all plan contributions. Members currently direct the investment of their own contributions among certain investment options, but employer contributions are invested into FPPA's "total fund". If adopted, the plan amendment would allow members to decide how to invest the employer contributions made on their behalf, as they do now with their own contributions. A second ballot item would allow members and employers to eliminate a mandatory lump sum distribution provision for accounts under $3,500.

The elections and ballot items are being planned pursuant to suggestions made by plan members. In order to become effective, an 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 are firmed up, FPPA will be furnishing complete information to all participating members and employers. FPPA

Legislative News

2000 Legislative Agenda

The following is a summary of the legislative proposals approved by the Police Officers' and Firefighters' Pension Reform Commission at its annual meeting on September 27, 1999. These proposals will be brought before the Colorado General Assembly in 2000.

With respect to the Statewide Money Purchase Plan, two bills are proposed. The first would authorize options to increase contribution rates above the current statutory rates of eight percent from the employer and eight percent from employees. For mandatory contributions, a local ordinance or resolution could increase the contribution rate or rates for a particular department, subject to approval by 65% of the employer's active members in the plan. Also, the legislation would allow the plan to accept voluntary contributions from members and employers at any time, as long as such contributions do not exceed the limits on annual additions under the Internal Revenue Code.

A second change to the Statewide Money Purchase Plan would clarify the standard of care applicable to the FPPA Board with respect to the administration, investment and management of the Statewide Money Purchase Plan Benefit Fund. This bill recognizes that the Board is governed by the Uniform Prudent Investor Act only with respect to those assets allocated to the Fire and Police Members' Benefit Fund, or FPPA "total fund," which is an investment alternative for the Statewide Money Purchase Plan. The Board retains its duties with respect to the selection and monitoring of the various investment alternatives for the Plan. The bill recognizes, however, that the Board is not liable for losses caused by the member's exercise of control over the assets in the member's account. The bill also clarifies that a member is not a fiduciary by reason of exercising control over assets in the member's account.

There are two proposed changes to the Statewide Defined Benefit Plan. The first would eliminate the possibility of reducing members' Separate Retirement Accounts to make transfers to the death and disability account. Currently, Section 31-31-405 (4), C.R.S., as amended, allows such deductions. At the present time, members of the Statewide Defined Benefit Plan constitute less than one-third of the total members of the Statewide Death and Disability Plan. Other plans which have affiliated with FPPA for Death and Disability purposes are not required to provide any subsidy or cushion for the Statewide Death and Disability Plan. For example, old hire members do not pay into the Statewide Death and Disability Plan at all. New hires, on the other hand, both contribute a percentage of salary to the Plan and pledge their Separate Retirement Accounts, a part of their normal retirement benefits, as a back-up source of funding for death and disability benefits.

The FPPA Board believes it is time to have the Statewide Death and Disability Plan stand on its own. The Plan is now fully funded and receives no state assistance. Further, the future funding of the Plan is assured by means of the requirement that employers and members pay a percentage (currently 2.3%) of salary to fund the Plan. Last year, because of the favorable actuarial status of the Statewide Death and Disability Plan, the Board reduced the contribution rate for the Statewide Death and Disability Plan from 2.4% to 2.3%.

A second change to the Statewide Defined Benefit Plan would give the FPPA Board more flexibility in assessing interest against employers whose contribution payments for new accounts are delinquent. Currently, under Section 31-31-402 (4), C.R.S., as amended, the Board is required to assess interest on all delinquent contributions at the rate of one-half of one percent per month. There is no flexibility to waive any portion of the statutory interest charges. In the past there have been instances in which small departments have mistakenly paid into federal social security instead of FPPA. These plans were notified of the problem, immediately took steps to come into compliance, but had to get their money back from social security in order to pay FPPA. The Board would like to have the flexibility to reduce or waive interest payments in hardship cases such as these, and would promulgate rules to guide its discretion.

Finally, a technical bill is proposed to reinstate a deleted cross-reference into the Statewide Death and Disability Plan. This cross-reference was inadvertently omitted during the last legislative session, when amendments were made to the Plan. No substantive changes to the Death and Disability Plan are proposed for 2000. FPPA

New Rules Adopted

This year's annual rulemaking included more than just technical changes. If you hope to participate in the DROP feature of the Statewide Defined Benefit Plan or if you would like to purchase service credit under that Plan, the new rules will be of particular interest to you. Also, if you are receiving a benefit under the Statewide Death and Disability Plan, you may be affected by the recent changes. If you are in the process of getting a divorce, you or your attorney will want to review the latest requirements for filing an order to divide pension benefits. Finally, if you will begin receiving monthly benefit checks on or after April 1, 2000, you will be required to receive your payments by direct electronic deposit to your banking institution.

A public hearing to consider changes to the association's rules and regulations was held on Wednesday, August 25, 1999. Most of the amendments were designed to bring FPPA rules in line with recently adopted state legislation. Other changes resulted from suggestions made by individual members, employer representatives and FPPA staff. The new rule changes will appear in the latest edition of the member handbook which will be distributed next year. In the meantime, complete copies of all rule changes as well as statements of the basis, purpose and statutory authority for each amendment are available upon request from FPPA's legal department.

The following is a brief overview of just some of the recent rule changes:

Drop Payment Options

A new rule has been enacted to implement the Deferred Retirement Option Plan ("DROP") that was approved for the Statewide Defined Benefit Plan in 1998. After receiving a favorable letter ruling from the IRS earlier this year, the Board proceeded to implement the DROP feature by setting forth in a rule the payment options available for distribution of the DROP benefit. Members who fail to timely select an option will be paid in a lump sum.

Service Credit Purchases

New rules implement Senate Bill 99-05, which authorizes members of the Statewide Defined Benefit Plan to purchase service credit for public safety employment or military service, subject to certain conditions. Members desiring to purchase service credit must pay a lump sum which is equal to the actuarial cost of the service. Service credit must be purchased no later than the last day of active membership in the Plan. The new rules include definitions, procedures and Internal Revenue Code requirements.

Disability Payment Options

New rules have been promulgated to implement House Bill 99-1062, which increased the total disability benefit, provided for a new payment option, and provided a one-time 90-day window for persons already receiving a total disability benefit to select a new payment option. Also, in recognition of the fact that occupational disability benefits and total disability benefits will involve different benefit structures with different payment options starting January 1, 2000, the Board has provided procedures for electing payment options based upon a change in disability status (upgrades and downgrades).

Domestic Relations Orders

The Board has amended the rules concerning domestic relations orders for dividing pension benefits to conform FPPA's filing requirements to the new requirements of state law. Also, a new rule states that FPPA cannot administer a formula dividing pension benefits that requires FPPA to recalculate the benefits on an on-going basis; rather, the formula must enable FPPA to make a one-time calculation. Any expenses incurred by FPPA in making the calculation are to be paid by the member. FPPA permits benefit adjustments to an alternate payee's share such as rank escalation and cost of living adjustments.

Mandatory Electronic Deposit

Finally, if you will begin receiving monthly benefit checks on or after April 1, 2000, a new FPPA rule will require you to receive your payments by direct electronic deposit to your banking institution. This proposed rule is consistent with practices in many other public pension funds, as well as that of the federal social security administration. The rule is intended to save FPPA time and money as well as provide increased security to members. Affected members must either sign an authorization, or show good cause for a waiver. Members who fail to do either are required to pay reasonable administrative charges for the additional cost to FPPA of issuing checks. FPPA

FPPA Pension CHECK

FPPA Board of Directors

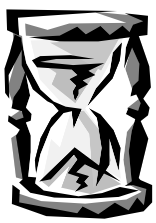
1999-2000 Term

Kris Gardner, *Chair*
Randy Atkinson, *Vice Chairman*
Ruth Sieler, *Executive Director*

Greg Demko
Daniel Ladd
Ron Lappi
Edward Lujan
David McConnel
Ray Mitchell
Gary West

Y2K Update

FPPA Continues to Prepare for January 1, 2000



We've previously discussed the Y2K, or Year 2000, computer problem in this newsletter, and you've no doubt also heard about it elsewhere. FPPA has been preparing for Year 2000 for a long time and is finalizing efforts to avoid disruptions of our operations.

FPPA's internal preparations to insure the readiness of our own systems are virtually completed. We'll continue to test our internal systems to make sure they remain ready for the arrival of Year 2000.

FPPA's operations also rely on outside sources, so we have been surveying our external service providers, suppliers and advisors to obtain assurance that they are taking the necessary measures to prepare for Year 2000. Like FPPA, these outside sources are working hard toward avoiding Y2K problems.

In case problems arise despite all of these preparations, FPPA also has developed detailed contingency plans to address such potential problems. We are committed to making a smooth transition to the next millennium.

This article is provided as a Year 2000 Readiness Disclosure under the Year 2000 Information and Readiness Disclosure Act. FPPA

Upcoming Employer Seminar

Employer Seminar Coming Soon!

In presenting this FREE seminar, FPPA will provide accurate and timely information to the employers of FPPA members. Watch your mail for an invitation and registration forms. Or contact Gina McGrail at FPPA (1-800) 332-3772 or (303)770-3772. FPPA

FPPA Pension CHECK

Fire & Police Pension Association of Colorado

5290 DTC Parkway
Suite 100
Englewood, CO 80111-2721

1(303) **770-3772**
in metro Denver

1(800) 332-3772
nationwide toll free

1(303) 771-7622 *fax*

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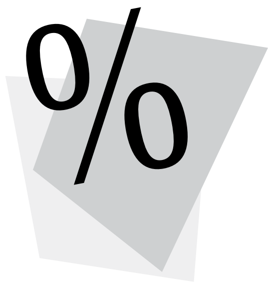
Cost of Living

1.3% Increase Announced 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 whether a COLA is granted and what amount a COLA may be. The criteria also states that the maximum amount a COLA may be is either the consumer price index or 3%, whichever is less.

Based on the 1998 consumer price index of 1.3%, the Board of Directors granted the maximum allowable cost of living adjustment of 1.3% for 1999.

COLA adjustments are effective every year on October 1. Each percentage announced is cumulative and compounds upon the previous year's percentage. As an example: a January 1998 retiree will receive a 1.3% increase to his retirement benefits from 1998; a retiree from January 1990, due to compounding, is currently receiving a 30.1% increase to his original retirement benefits from 1990.

Statewide Defined Benefit Plan Retirees

The 1.3% COLA for 1999 will be granted for all retirees of the Statewide Defined Benefit Plan who were retired before October 1 of last year. Those who retired after October 1 of last year will have their benefit adjusted by the COLA percentage announced next October.

Statewide Death and Disability Plan Members and Survivors

Under the Statewide Death and Disability Plan, **totally disabled** members and survivors are guaranteed a COLA, while **occupationally disabled** members and survivors may be granted a COLA at the discretion of the FPPA Board of Directors. The 1999 COLA announced for both **totally** and **occupationally disabled** members and their survivors is 1.3%.

Contribution Rate

Statewide Death & Disability Plan Members

For Colorado Firefighters and Police Officers hired on or after 1/1/97, their employer is required to contribute 2.3% of the member's base pay for coverage under the Statewide Death & Disability Plan. Who actually pays the contribution is decided by the employer, in conjunction with their members. The 2.3% required contribution was established for 1999 and will remain the same for 2000. After that time period, the contribution may be increased or decreased by 0.1% every two years. The contribution rate for 1997 and 1998 was 2.4%.

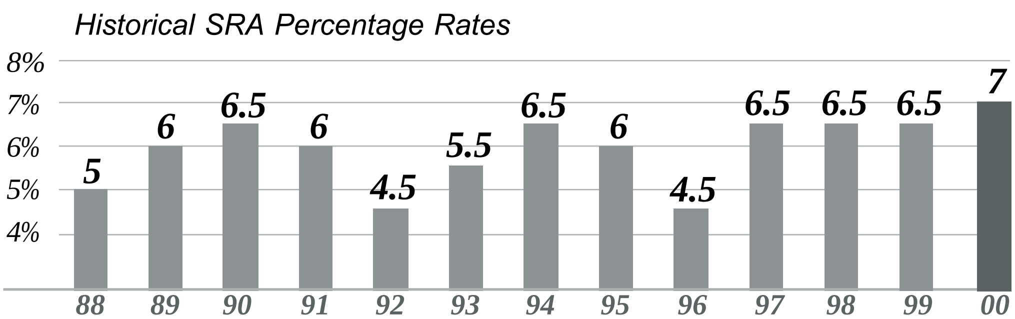
7% SRA Rate Announced

Statewide Defined Benefit Plan Members

The FPPA Board of Directors has set the 2000 Separate Retirement Account contribution rate for members of the Statewide Defined Benefit Plan at 7%. This is the percentage of salary that will be added to the accounts of new hire members. The new SRA contribution rate will go into effect January 1, 2000.

A Separate Retirement Account (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 to an SRA account in each member's name. Each member's SRA will have earnings or losses posted to his/her account on a monthly basis. The SRA allocation will vary from year to year based on the cost of the Statewide Defined Benefit Plan from the previous year.

The chart below shows the historical percentage rates added to the SRA since inception.



Comprehensive Annual Financial Report Highlights

For the Fiscal Year Ended December 31, 1998

Statement of Plan Net Assets

Assets		
Cash and Cash Equivalents	$	206,834,749
Total Investments		2,329,605,026
Total Receivables		13,993,707
Properties and Equipment, at Cost, Net of Accumulated Depreciation		1,603,516
Other Assets		86,801
TOTAL ASSETS	*$*	*2,552,123,799*
Liabilities		
Accounts Payable & Accrued Expenses	$	336,786,742
TOTAL LIABILITIES	*$*	*336,786,742*
Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals	*$*	*2,215,337,057*

Statement of Operations

Investment Income	$	80,980,051
Administrative Expenses		(12,839,815)
NET INVESTMENT INCOME	*$*	*68,140,236*
Net Appreciation in Fair Value of Investments	$	182,760,062
INCOME FROM INVESTMENT ACTIVITIES	*$*	*250,900,298*

Statement of Changes in Net Assets

From Investment Activities		
Increase in Net Assets Derived from Investment Activities	$	250,900,298
From Unit Transactions		
Funds Invested by Members		107,805,699
Funds Withdrawn by Members		(95,521,436)
	$	12,284,263
Net Assets		
Beginning of Year	$	1,939,117,451
End of Year	$	2,202,302,012

This Statement of Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 1998 is based on the official audit report on the fund prepared by Bondi & Co. LLP.