FPPA PensionCHECK

A review of your retirement benefits. *Summer 2002*

Investment Update

Instead of gaining strength, from the economic recovery in the first half of 2002, investment markets were anything but steady.

Nearly every day brought new tales of duplicity among Wall Street analysts, or of executive malfeasance at once-revered corporations like Tyco International and WorldCom. In addition, elusive corporate earnings and capital spending forecasts, terrorism threats, and unrest in the Middle East only added to the marketís anxiety.

Understandably FPPAís investment portfolio, like all large institutional portfolios, has been negatively impacted by these events. The domestic equity stock market (as measured by the Russell 3000 Index) is down ñ12.2% since the beginning of the year. The FPPA domestic equity portfolio is also down significantly, but did manage to beat the broad market by 1.7%, with a return of ñ10.5%. International stocks have outperformed U.S. stocks, where FPPAís portfolio returned -1.6% versus ñ1.1% for the market index (MSCI ACWI ex US) year to date.

Fortunately, FPPAís total portfolio is well diversified, with exposure to a number of different asset classes other than stocks. The core domestic bond portfolio has returned in excess of 3% year to date and the real estate portfolio ñ2.1%. The bottom line for FPPAís total portfolio year to date through June is a return of -3.57%.

Even with the losses incurred thus far this year, the return of FPPAís total portfolio, since inception, is in excess of 11% per year. This is well ahead of our actuarial and real rate of return objectives.

Despite the volatility in recent months and the big downward moves in stock markets, we continue to focus on our long-term strategic approach. In fact, in the past few weeks we have been rebalancing the portfolio back to our strategic asset class targets. That has meant moving money into stocks on the heels of big losses in the equity markets. We believe this discipline makes sense based on our long-term expectations for financial markets. Indeed, the last few days in July have seen a big move up in the equity markets.

The point is, we caní time these market moves but we do think we can best achieve our investment objectives and secure the benefits promised to our members by thinking and acting in accord with our long term, strategic vision for investment markets. FPPA

New Hire Election Results Announced

Statewide Defined Benefit Plan Members ìNew Hiresî

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 guaranteed that the will of the membership was voiced in matters that will directly effect them.

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.

The following voting results reflect the election outcome of these four ***no-cost*** proposed amendments.

Amendment #1
PASSED

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.

Previous 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
DID NOT PASS

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.

Previous 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
PASSED

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.

Previous 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
PASSED

Allow members who meet the requirements for Early Retirement* (age 50 OR 30 years of service) and members who meet the requirements for a Vested Retirement (at least 10 ñ 24 years of service and age 55) to participate in the Deferred Retirement Option Plan (DROP).

continued on next page

New Hire Election Results Announced

Continued

**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.*

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

Effective Dates

The effective dates for ***all*** of the above amendments will be October 1, 2002.

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

FPPA Web Site News

The Employer Section Now Offers Enhanced Electronic Payment Options

Another Payment Option Now Available To Employers

As we reported in the last newsletter, FPPA currently requests that all FPPA affiliated Employers who report contributions on 15 or more Members to submit their contribution reports in an electronic format. Once the information is gathered, Employers may transmit the data directly to FPPA through the secure Employer section of the FPPA web site. To round out the electronic reporting process, Employers are now also encouraged to take advantage of our secure ACH Debit Transaction feature.

ACH Debit Transactions

FPPA offers Employers ACH Debit Transactions as an alternative to allow FPPA to initiate a debit transaction that will remove a designated amount of money out of your bank account and transfer it directly to FPPAís account. The difference between a wire transfer and an ACH debit transfer is that you initiate wire transfers, whereas ACH debit transfers are initiated by FPPA. If you are interested in learning more about ACH debit transactions, contact the Accounting Department of FPPA and request an ìElectronic Funds Transfer Authorization Agreementî. Once this agreement form is completed and returned to FPPA, ACH debit transactions can begin. Each month, upon receipt of your ìContributions Summaryî report (either by Internet, mail, or fax), FPPA will set up the ACH debit transaction for the amount you show on your ìContribution Summaryî report, and the money will be taken out of your bank account on the payment due date. Itís that easy!

Employer Secure Web Site

The secure Employer section of the FPPA web site is accessible by clicking the *Employer* button on the navigational bar. Once there, the Employer section contains information about how to register, become verified and enter the secure section of the site via a password. After becoming verified by FPPA, Employers have the option to download and print Employer forms, read newsworthy articles written specifically for them or transfer their contribution data electronically. Complete instructions and system requirements are posted on the web site to assist in getting Employers set up and ready to submit data via the web. FPPA

FPPA Amends Plans

Statewide Money Purchase Plan

457 Deferred Compensation Plan

The FPPA Board of Directors adopted certain amendments to the Statewide Money Purchase Plan document and the Model 457 Deferred Compensation Plan document. Many of these amendments were adopted due to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which includes significant changes to the tax rules governing retirement plans, individual retirement accounts, and other benefit arrangements. EGTRRA also provides for substantially increased contribution limits, simplified distribution rules, and eased administrative burdens for retirement plans. (For more information about EGTRRA changes to tax rules, see the article on the next page.) In addition to the EGTRRA changes, FPPA made many other updates and clarified the Plans to facilitate the ease of administration. Here is a highlight of some of the important amendments made to FPPAís plans.

Statewide Money Purchase Plan ñ amendments effective January 1, 2002

ï A memberís year of service now commences on his/her hire date and ends one year later in which a member completes 1,600 hours of service.

ï FPPAís Plan will now accept rollovers of distributions ***from*** a 401(a), 401(k), 403(b), IRA, or a governmental 457(b) plan. The Plan also allows a member to rollover any portion of his/her account ***to*** any of these plans.

ï The annual limit on total employer and member contributions to a memberís account is increased to the lesser of $40,000 or 100% of compensation in 2002. The $40,000 limit will be indexed for inflation.

ï The Plan allows a higher mandatory member and employer contribution rate if approved locally. It also allows active members and employers to make voluntary contributions to the Plan.

457 Deferred Compensation Plan ñ amendments effective September 1, 2002

ï The maximum contribution limit is increased to the lesser of $11,000/year or 100% of compensation, beginning in 2002, and will be indexed, according to Code Section 457.

ï Participants who are age 50 or older will be allowed to make catch-up contributions, phased in over five years. As an alternative to the age 50 catch-up, participants are eligible to defer up to twice the contribution limit in effect for the 3 years preceding normal retirement age.

ï FPPAís Plan will now accept rollovers of distributions ***from*** a 401(a), 401(k), 403(b), IRA, or a governmental 457(b) plan. The Plan also allows a member to rollover any portion of his/her account ***to*** any of these plans.

ï FPPAís Plan permits an in-service transfer of all or a portion of a memberís account to a governmental defined benefit plan to purchase service credits or repay previously refunded forfeitures, if the receiving plan accepts such transfers.

ï All former limitations on commencement of benefit payments, requirements that participants elect a specific date for commencement of benefits, form of payment, the one-time allowance for changing the elections; and the lump sum benefit payment default if a participant fails to make an election have been removed. Minimum Required Distribution rules still apply.

continued on next page

FPPA Amends Plans

Continued

ï Benefits may be subject to Domestic Relations Orders that meet the DRO criteria.

ï Participants are not allowed to borrow any sum from the plan.

ï The Plan now allows employees who provide direct support to the employerís public safety department to participate in the plan.

This article is intended to summarize some of the significant changes in the plan documents of the Statewide Money Purchase Plan and the 457 Deferred Compensation Plan. Please refer to the actual language of each plan document to comprehensively review all changes. The plan documents and Colorado Revised Statutes are the controlling authority on the terms of the plans.

Both plan documents are available on our web site at www.FPPAco.org (click on the Benefits button). Or call our offices at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide to request a copy. FPPA

EGTRRA Changes To Tax Rules Regarding Rollover Provisions

Statewide Money Purchase Plan

457 Deferred Compensation Plan

and DROP Plan

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) has brought about significant changes to the tax rules governing retirement plans, as they apply to portability (rollover) provisions. The following article addresses how tax consequences for the 10% penalty on distributions taken before age 59Ω have been changed by EGTRRA.

✓ ***In the case of a rollover***

FROM	*Qualified Plans - a 401(a) or a 401(k) plan (Which could be either a Money Purchase or DROP Plan.)*
TO	*Governmental 457(b) Plans*

Distributions from a 457 Plan are generally not subject to the additional 10% tax that applies to pre-age 59Ω distributions from other types of plans. However, any distribution from the 457 plan that is attributable to an amount you rolled over to the Plan (adjusted for investment returns) from another type of eligible plan or IRA is subject to the additional 10% tax if it is distributed to you before you reach age 59Ω, unless one of the IRS exceptions applies. (See IRS exceptions below.) Separate accounting of 401(a)/401(k) rollovers is required to track amounts subject to 10% penalty on early withdrawals.

✓ ***In the case of a rollover***

FROM	*Governmental 457(b) Plans*
TO	*Qualified Plans - a 401(a) or a 401(k) plan (Which could be a Money Purchase Plan.)*

Any amount rolled over from a Governmental 457 Plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59Ω, unless one of the IRS exceptions applies.

IRS Exceptions to the additional 10% tax generally include:

∑ Distributions after separation from service, during or after the year you reach age 55
∑ Distributions due to death or disability
∑ Distributions made as equal payments over your life or life expectancy (or your and your beneficiaryís lives or life expectancies)
∑ Distributions made to an alternate payee under a Domestic Relations Order

Rollovers between unlike plans may affect the tax treatment of subsequent distributions. Participants who may lose tax advantages should discuss the issue with a tax advisor.

Newly Enhanced Services With Fidelity Investments®

Statewide Money Purchase Plan

Local Money Purchase Plans Affiliated with FPPA

457 Deferred Compensation Plan

Last year, Fidelity InvestmentsÆ was selected by FPPA for recordkeeping services and investment options for the following FPPA plans:
- ï FPPA's 457 Deferred Compensation Plan
- ï The Statewide Money Purchase Plan, and
- ï local money purchase plans affiliated with FPPA.

Periodically we like to keep you up to date with some of the options offered through Fidelity Investments. In this issue we are featuring two newly enhanced services:
- ï PortfolioPlanner, and
- ï Employee Investment Services (EIS).

Both of these services may be found on the Fidelity web site under the member portion called NetBenefits℠ at www.fidelity.com/atwork. For those not yet familiar with NetBenefits, this secure part of the main Fidelity web site provides specific information on contribution and investment options for non-profit pension funds like FPPA. NetBenefits is designed to allow access to your account from any computer equipped with internet service. Through NetBenefits, you are able to view your account balance, make exchanges between investment options, change future contribution mixes, track your contributions, and access fund information.

PortfolioPlanner

Fidelityís PortfolioPlanner is designed to provide support for each stage of your retirement planning.

With little investment or internet experience you can assess your current savings strategy for retirement and review a model portfolio of investment options by name and percentage allocation, and customized to your workplace savings plan. You can set several financial goals simultaneously and see how savings and investing tradeoff decisions could affect your progress toward each goal. With easy-to-navigate features, Fidelity PortfolioPlanner provides a convenient, private environment for you to plan at your own pace.

Employee Investment Services (EIS)*

Employee Investment Services helps you simplify your investment and financial management needs.

If investing is part of your plan to reach your financial goals, EIS provides a comprehensive suite of investment services designed to help millions of investors just like yourself.

EIS is an after-tax investing program designed to help you invest toward a wide array

continued on next page

Newly Enhanced Services

Continued

of financial goals outside of your retirement plan, such as investing for a childís college education, supplementing your retirement savings and general wealth accumulation.

In addition to these comprehensive programs of individual investing accounts, as an added bonus, you qualify for special benefits including:

ï lowered minimum initial investment requirements,
ï reduced commission rates, and
ï fee waivers.

To learn more about how Employee Investment Services can help you, and to download application materials, visit www.fidelity.com/atwork and click on *NetBenefits* and then *Employee Investment Services* or call (800) 544-2270 from 9:00 a.m. ñ 8:00 p.m. ET, Monday ñ Saturday.

When calling Fidelity, it is very important that you mention Employee Investment Services (EIS) and that you are a member of FPPAís plan.

We hope youíll take advantage of the many investment, account and service options that make Employee Investment Services a convenient way to consolidate your investment and financial management needs through Fidelity.

***Because FPPA has made the Employee Investment Services program (EIS) available to its members, you are eligible to receive the special pricing and features of the EIS program for as long as Fidelity continues to offer the EIS program. This means that you will continue to be eligible to receive EIS special pricing and features even after you retire or otherwise stop working for your employer, or after FPPA ceases to offer the EIS program to its members. Fidelity reserves the right to change or discontinue the EIS programís special pricing and features or the EIS eligibility requirements at its discretion. If Fidelity ceases to offer EIS benefits or you otherwise become ineligible for EIS benefits, your account(s) will be converted to a standard Fidelity account(s).** FPPA

Retiree News

Retiree Individual Health Insurance Contact Name Change

FPPAís insurance broker, The Benefit Companies has the following new name, phone number and contact people:

New Name
The Gemini Group, Inc.
(formerly The Benefit Companies)

New Phone Numbers
(303) 757-1234 in the Denver Metro area
or (800) 707-2488 toll free nationwide.
Monday - Friday 8am - 5:30pm MST

New Contact People Dan, Gene or Karen

For more information about insurance plans provided by FPPAís service provider and to see if you qualify for coverage, please call the information listed above for The Gemini Group, Inc. FPPA

Legislative Update

2002 Legislative Session

The following three bills have successfully made their way through the Colorado 2002 State Legislative Session and have been signed by Governor Owens. Along with the following summaries of each bill we have also included their effective dates.

Statewide Death & Disability Plan Bill - Senate Bill 02-026
Signed by Governor Owens: April 3, 2002
Effective date: Effective for disability retirements granted after October 1, 2002.

This proposed bill will accomplish the following:

ï Creation of a ìpermanent occupational disabilityî with a flat 50% of base salary benefit with:
- No prognosis for improvement
- No reexamination
- Regular offsets for SRA and Money Purchase balances and for earned income

ï Creation of a ìtemporary occupational disabilityî with a flat 40% of base salary benefit with:
- Periodic reexamination required
- Board may require treatment, counseling or therapy
- Burden on the member to show compliance with Board direction and continuing disabling condition
- 5 year maximum benefit
- May be upgraded to permanent occupational or total disability
- No SRA or Money Purchase offsets to benefit
- Family is eligible for survivor benefits if member dies while on temporary occupational disability
- If the disability ceases to exist and the member is restored to active service, FPPA will transfer from the death and disability fund the contribution required to fund the defined contribution plan or to fund service credit under the defined benefit plan for period of time the member was on temporary occupational disability (16% per year maximum. If a defined contribution planís normal contribution amount is above 16%, the employer will make up the difference.)
- If the member reaches age and service, including time on disability, under a defined benefit plan while on temporary occupational disability, FPPA will transfer from the death and disability fund the final contributions necessary for member to earn full service credit and the member will be granted a normal retirement in lieu of continued disability retirement (16% per year maximum. If a defined contribution planís normal contribution amount is above 16%, the employer will make up the difference.)

ï Family option on total and permanent occupational disability to specifically include adult dependent incapacitated children

ï Determination of disability can include consideration of any relevant evidence by Board

ï Annual cost of living adjustments up to 3 % to be determined by the Board with no consumer price index limitation for occupational disability and survivor benefits and an automatic 3 % benefit increase for total disability

ï Offsets for local SRAís for total and permanent occupational disability benefits and survivor benefits

ï Permanent occupational disability benefit payment options would be the same as total disability benefit payment options

ï Statute of Limitations for applying for a disability benefit would be 180 days from the last day on the payroll

continued on next page

Legislative Update

Continued From the Previous Page

ï Members can waive their right to reinstatement during application process
ï Employers submit statement of reason for service termination with application
ï Employers submit statement of additional basis for disability with application
ï No earned income offset for total disability
ï Five year window for upgrade from occupational disability to total disability begins from date of disablement (last day on payroll)
ï Definition of ìassigned dutiesî tightened
ï Authority for Board to provide death and disability benefits to members on military service. Costs to be assessed, term of benefits, and offsets for military benefits to be established by rule.
ï Line-of-duty death benefit increased to flat 70% of base salary. Supplemental benefit for members eligible for retirement to increase total survivor benefits for line-of-duty death to 70% of base salary.

Statewide Defined Benefit Plan Bill - House Bill 02-1032
Signed by Governor Owens: March 21, 2002
Effective date: January 1, 2003

This proposed bill will accomplish the following:
ï Allow purchase of service credit for any public service
ï Allow purchase of service credit for private sector service of up to five years, after five years of service credit are earned
ï Ease the process for granting service credit for funds rolled over from other eligible retirement plans

Volunteer Firefighters Bill - House Bill 02-1036
Signed by Governor Owens: May 24, 2002
Effective date: July 1, 2002

This proposed bill will accomplish the following:
ï Simplifies method of calculating state matching contribution without changing actual contribution for local volunteer plans
ï Increases the minimum state contribution to $1000 for districts contributing Ω mill.

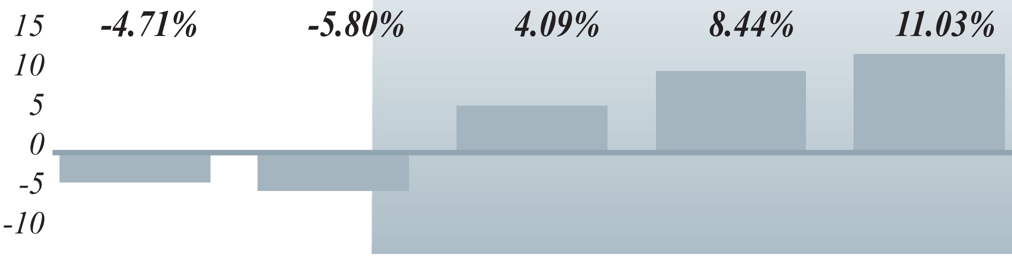
Each bill may be viewed in its entirety on the Colorado State web site at www.colorado.gov. FPPA

Investment Returns

Rates Of Return: 2nd Quarter, One, Five And Ten Years, And Since Inception

Investment Returns as of June 30, 2002

%	2nd Quarter 2002	1 Year	5 Years	10 Years	Since Inception
	-4.71%	-5.80%	4.09%	8.44%	11.03%



As of June 30, 2002 FPPA's total assets exceeded $2.2 billion.

Comprehensive Annual Financial Report Highlights

For the Fiscal Year Ended December 31, 2001

Statement of Plan Net Assets

Assets	
Cash and Cash Equivalents	$ 101,398,906
Total Investments	2,462,919,043
Total Receivables	30,962,427
Properties and Equipment, at Cost, Net of Accumulated Depreciation	1,728,146
Other Assets	115,242
TOTAL ASSETS	*$ 2,597,123,764*
Liabilities	
Accounts Payable & Accrued Expenses	252,491,784
TOTAL LIABILITIES	*$ 252,491,784*
Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals	*$ 2,344,631,980*

Statement of Operations

Investment Income	$ 79,610,548
Administrative Expenses	(12,181,479)
NET INVESTMENT INCOME	*$ 67,429,069*
Net Appreciation in Fair Value of Investments	$ (229,587,068)
INCOME FROM INVESTMENT ACTIVITIES	*$ (162,157,999)*

Statement of Changes in Net Assets

From Investment Activities	
Change in Net Assets Derived from Investment Activities	$ 162,157,999
From Participant Activities	
Funds Invested by Members & Employers	138,555,701
Funds Withdrawn by Members & Employers	(143,454,938)
Administrative Expenses	(3,168,290)
	$ (170,225,526)
Net Assets	
Beginning of Year	$ 2,518,044,404
End of Year	$ 2,344,631,980

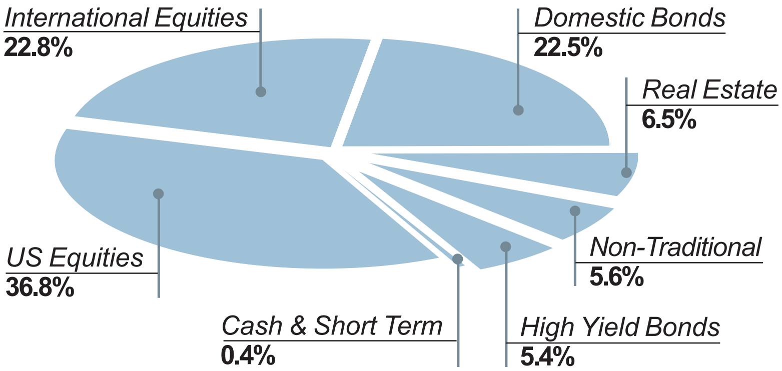
This Statement of Net Assets which certifies the financial condition of FPPAís benefit fund at the close of 2001 is based on the official audit report on the fund prepared by Bondi & Co. LLP.

continued on next page

Report Highlights

Continued

2001 Asset Allocation As Of December 31, 2001



To request a printed copy of the report, contact FPPA or log on to www.FPPAco.org to view, download or print a copy of the report. FPPA

Retiree Insurance

New Benefits To Be Available This Fall

A retiree member survey last year indicated that there was continuing interest in providing additional insurance benefits to you. We are pleased to announce that we will soon be offering several new benefits. Details about coverage, pricing, and enrollment forms will be sent to you in a separate mailing after Labor Day.

Drug Prescription Card ñ Prescriptions are expensive and used by nearly all of us. The new FPPA prescription card will allow you to have generic prescriptions filled for a $10 copay and non-generic prescriptions filled for a discount up 25 % per script. The card will be accepted at most major pharmacies including King Soopers, WalMart, Walgreenís, and K-Mart.

Life Insurance Plan ñ Life insurance is often needed to insure that you do not leave behind bills for family members to take care of after you are gone. We have negotiated a life insurance program that eliminates much of the hassle usually associated with insurance applications. There are no medical exams or blood tests required and the health questions are limited. You may purchase a minimum of $3,000 to a maximum of $35,000 of permanent coverage with no medical exams.

Vision Program ñ You will now have a choice between two vision plans. For several years we have offered (and will continue to offer) the Vision Services Plan. In addition to the Vision Services Plan, we will be offering EyeMed Vision Services. EyeMed contracts with thousands of eye doctors all over the U.S and is the same company that owns the Lens Crafter stores and Luxottica Eyewear Company. You will have two different vision plans to choose from. FPPA

FPPA PensionCHECK Fire & Police Pension Association of Colorado

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*

Inside This Issue

Upcoming Seminars

2002 Seminars Currently Planned

Upcoming Seminar for Members

Wills, Estates, Taxes & Trusts - *October 10, 2002*
This seminar is for retired and active FPPA members alike. Topics offered at this seminar include: will preparation, managing an estate or trust, and understanding the tax implications associated with the transfer of an estate or trust. Call the numbers listed below or log on to our web site (also listed below) for more information.

Continuing Summit for Employers

The FPPA Employer Summit - *Grand Junction - September 18th*
The Employer Summit continues across Colorado. After having already been held in Pueblo and Denver in July, the summit schedule continues to Grand Junction on September 18th. The Employer Summit focuses on the recent major changes to the Statewide Death & Disability Plan and how those changes will impact all Employers of FPPA Members. There is still space available to attend this valuable summit. Call the numbers listed below or log on to our web site (also listed below) for more information.

For more information about either of the seminars planned for this year, call FPPA at (303) 770-3772 or (800) 332-3772, or log on to www.FPPAco.org and click on the *Calendar* page. FPPA