FPPA PensionCHECK

A review of your retirement benefits. *Fall 2012*

From The Desk Of Dan Slack

FPPA CEO

Upcoming Election

For Members of the Statewide Defined Benefit Plan

Members of the Statewide Defined Benefit Plan will have an election in 2013 and will vote on whether to increase their contributions into the retirement plan. This election is the recommendation of a task force of members of the plan. 65% of the members must vote in favor of the proposal (along with more than 50% of the employers), for any increase to become effective.

FPPA Statewide Defined Benefit Plan Member Contributions Election

This article gives a brief summary of the issues behind this proposal. I urge members of the Statewide Defined Benefit Plan to visit FPPA's website at www.FPPAco.org for continuously updated information about the election. One of the items on the website is a comprehensive white paper that summarizes the work of the task force and explains why the task force made the recommendation that it did. Most of this article consists of brief excerpts from the white paper.

Members of the Statewide Defined Benefit Plan (the "SWDB Plan" or the "plan") contribute 8% of base pay to the plan to finance their retirement. Their employer also contributes 8% of base pay. These rates have been unchanged since the beginning of the SWDB Plan in 1980. An additional contribution rate (of 4%) is required for members who were active employees in their departments at the time a department re-entered the SWDB Plan; it is a local determination as to whether the member or the employer pay the additional contribution rate or some portion of it.

The cost of the basic benefit provided under the plan varies over time, but has always been less than the combined 16% contribution rate. As of January 1, 2012, the cost of the basic benefit was 13.97% of pay. The difference, or spread, provides a cushion against adverse economic developments, building up a surplus or amortizing an unfunded liability, and is also the source of benefit adjustments (also commonly called cost-of-living adjustments or COLAs) for retirees.

The financial market meltdown that occurred in late 2008 and early 2009 depleted the surplus that had existed within the plan. The SWDB Plan remains very strong, with nearly a 100% funded ratio. However, under the current assumptions and projected rate of return, the plan will only be able to provide benefit adjustments (COLAs) of approximately 0.4% to retirees in the short term and 0.8% in the long term.

> The Statewide Defined Benefit Plan remains very strong, with nearly a 100% funded ratio.

A benefit adjustment for retirees is not guaranteed in the SWDB Plan. The board of directors of FPPA determines on an annual basis what, if any, benefit adjustment to provide to current retirees. Any benefit adjustment granted is effective after a retiree has been receiving benefit payments for at least 12 calendar months prior to October 1. The benefit adjustment cannot be greater than the greater of 3% or the CPI-W. As of October 1, 2011, the average benefit adjustment since inception has been 2.51%. The benefit adjustment granted effective October 1, 2012, is 0.43%. The average benefit adjustment granted over the last three years has been 0.59%.

The board of directors of the Fire & Police Pension Association (FPPA) developed a strategy to enable the members of the plan to proactively take action to enhance the security and value of their retirement. FPPA sought and obtained legislation that allows a member vote on increasing member contributions to the plan. The board then created a task force of the membership to study and recommend to the board whether an election should be held on an increase in the member contribution rate.

continued

Upcoming Election

For Members of the Statewide Defined Benefit Plan

Continued from Cover

After lengthy study of the issue through multiple meetings, the task force recommended to the board that it authorize a vote of the active members on whether to increase the member contribution rate by 4% of base pay, achieved by an incremental increase of ½% of base pay per year for eight years.

An example of the impact upon a member earning $45,000 per year can be seen here. Assuming a base salary of $45,000 in 2014, with 2% annual salary increases, paid over 26 pay periods, the dollar increase per pay period would be:

	Additional contribution per pay period over the previous year.	Cumulative additional contribution per pay period.
Year 1 (2014)	$8.65	$8.65
Year 2 (2015) over year 1	$9.00	$17.65
Year 3 (2016) over year 2	$9.36	$27.01
Year 4…	$9.72	$36.73
Year 5…	$10.10	$46.83
Year 6…	$10.49	$57.32
Year 7…	$10.89	$68.21
Year 8…	$11.30	$79.51

For this example, note that by Year 8 the salary would have increased to $51,691, a salary increase of $257.35 per pay period.

To be clear, the SWDB Plan does not need an increase in contributions to pay for the retirement benefit, or even to pay a modest benefit adjustment to retirees, if current actuarial assumptions are met. With current contribution rates and assuming current economic and demographic assumptions are met, the plan will continue to be able to provide not only the base retirement benefit but will also be able to pay a modest benefit adjustment to retirees of about 0.4% in the short term and 0.8% in the long term.

So why should members consider voting in favor of the contribution increase? To protect their retirement income from inflation in retirement. The base benefit provided in the SWDB Plan does not have any form of automatic adjustment for inflation. Without some type of inflation protection, an annuity will not provide equivalent purchasing power over time. The effect of inflation upon purchasing power, assuming 3% inflation, is shown in the following chart:

Purchasing Power				
	No Benefit Adjustment	1% Annual Benefit Adjustment	2% Annual Benefit Adjustment	3% Annual Benefit Adjustment
Initial	$1.00	$1.00	$1.00	$1.00
1 year	97¢	98¢	99¢	$1.00
5 years	86¢	91¢	95¢	$1.00
10 years	74¢	82¢	91¢	$1.00
20 years	55¢	68¢	82¢	$1.00
30 years	41¢	56¢	75¢	$1.00

continued

Upcoming Election

Continued from Page 2

With no cost of living adjustment, called a benefit adjustment in the SWDB Plan, $1.00 of an original retirement benefit will only be able to purchase 41¢ of goods in 30 years.

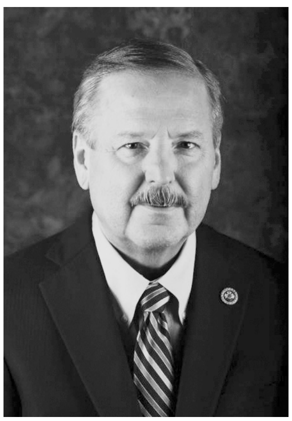
I urge all members of the Statewide Defined Benefit Plan to be proactive – learn about the issues in this election and about planning for retirement security. Visit FPPA's website frequently in the coming months. Your vote counts! **FPPA**

Legislative News

On September 19, 2012, the Police Officers' and Firefighters' Pension Reform Commission, a state legislative committee, unanimously approved a bill for introduction during the 2013 legislative session that relieves FPPA and its plans of any liability if an employer fails to properly enroll its members under the Statewide Death and Disability Plan or the Statewide Defined Benefit Plan. The FPPA Board proposed this legislation in order to protect the assets of these plans from claims for benefits in the event that a new department fails to enroll it members as required under state law. Assets of these plans should be used for the exclusive purpose of providing benefits for the members for which contributions have been made.

The Board suggested only one piece of legislation for 2013. FPPA will provide testimony for this bill as it makes its way through the legislature in 2013. **FPPA**

In Memory Of Randy Atkinson



Former Denver firefighter and FPPA Board Member Randy Atkinson passed away October 9, 2012. Randy served on the FPPA Board of Directors for 13 years beginning in 1987 and worked tirelessly for the protection of retirement benefits for all members. "Randy contributed many years of dedicated service to the FPPA Board of Directors," said FPPA's CEO Dan Slack. "FPPA Members today benefit a great deal from his dedication to the members and participation on the FPPA Board during those early years of the plan. On behalf of FPPA Staff and the current Board of Directors we express our deep felt gratitude for the contribution Randy made to serve the membership."

In addition to serving on the FPPA Board, Randy held the position of IAFF 9th District Vice President since 2007 and President of the Colorado Professional Firefighters since 1995. Atkinson held both of those titles until his passing. **FPPA**

FPPA Defined Benefit System

Welcome Sheridan Police Officers.

We are very pleased to announce that the Sheridan Police Department joined the FPPA Defined Benefit System effective May 2012. Sheridan is the 23rd department to complete this process since legislation was enacted to permit reentry in 2003.

We are also pleased that interest in the FPPA Defined Benefit System remains very high. Many members and employers continue to contact FPPA to explore entering this system. While we are very interested in speaking to prospective employer and employee groups, the FPPA Communications Team will be focusing its resources over the coming year on serving our existing membership and educating them about an upcoming statewide election. (See related article on the cover.) For this reason we are unable to accept invitations to conduct meetings on joining the FPPA Defined Benefit System at this time. (An exception is being made for the departments already well into the educational or disclosure process.) We expect to resume reentry meetings and discussions again in 2014.

For additional information on the pension plans available under the FPPA Defined Benefit System, visit FPPAco.org. Click on the blue button in the left column for "Benefits". There you may view or download several brochures explaining the FPPA plans. **FPPA**

Annual Rates Announced

Based on the results of recent annual actuarial valuations of FPPA Plans, the Board of Directors approved the following SRA, Contribution Rates and Benefit Adjustments.

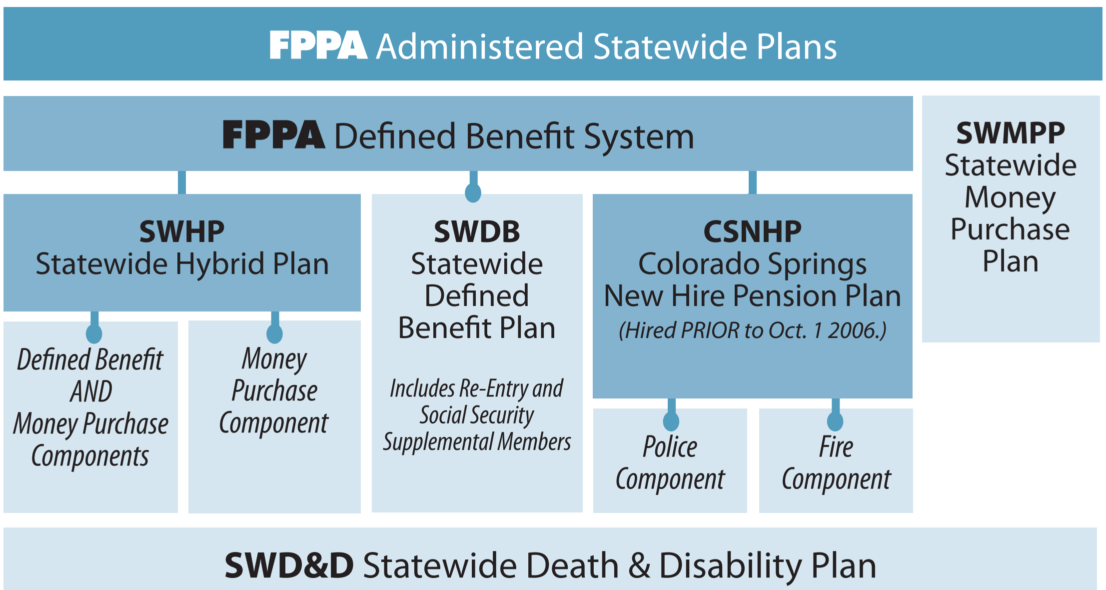
Stabilization Reserve Account - SRA

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 below) 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. The SRA is available for distribution upon approval for a normal, vested, early or deferred retirement. This account is in addition to a 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, 2012. 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 benefit adjustments.



The SRA rate for **Re-Entry Members** (those members of a money purchase plan who re-entered the Statewide Defined Benefit System) is **3.54%**. This SRA contribution rate went into effect July 1, 2012. The required 20% combined contribution rate from members and employers in this tier fully funded this plan with a total surplus of 3.54% (3.54% 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, 2012. The Board concluded that the entire required 8% combined contribution rate from members and employers should be allocated to the actuarial account in order to ensure appropriate funding of the Plan's defined benefits and to provide funding for future benefit adjustments.

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 currently 0%**.

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.

Annual Rates Announced

Contribution Rates

Statewide Death & Disability Plan

In 2010 the **Statewide Death & Disability Plan contribution rate was set at 2.6%** and is effective from January 1, 2011 through December 31, 2012. Based on the 2012 actuarial results the FPPA Board of Directors agreed to continue the 2.6% contribution rate effective through December 31, 2014. 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%).

Re-entry Members to the Statewide Defined Benefit Plan
The contribution 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. A Member's 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, 2012, the **Police Component member contribution rate is 8.0%** of base salary and the employer remits the remainder of the $9,619,134 annual required contribution. The **Fire Component member contribution rate is 10.0%** of base salary and the employer remits the remainder of the $5,199,980 annual required contribution. Effective January 1, 2013, the Police Component member contribution rate is 8.0% of base salary and the employer remits the remainder of the $10,605,836 annual required contribution. The Fire Component member contribution rate is 10.0% of base salary and the employer remits the remainder of the $4,685,823 annual required contribution.

Statewide Hybrid Plan

Defined Benefit & Money Purchase Components

Defined Benefit Contribution Rate:
Effective July 1, 2012 the contribution rate is set at 13.0%. Each department in the Statewide Hybrid Plan establishes a total contribution rate.

Money Purchase Component:
After the 13.0% 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.

The Statewide Money Purchase Plan

The **Statewide Money Purchase Plan** mandatory combined **contribution rate remains set at 16%** (8% member and 8% employer).

Benefit Adjustments

Benefit Adjustment Defined: Colorado Revised Statutes provide that benefit adjustments 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 page 7). In the past this adjustment

continued on page 7

Comprehensive Annual Financial Report Highlights

For the Fiscal Year Ended December 31, 2011

Statement of Plan Net Assets*

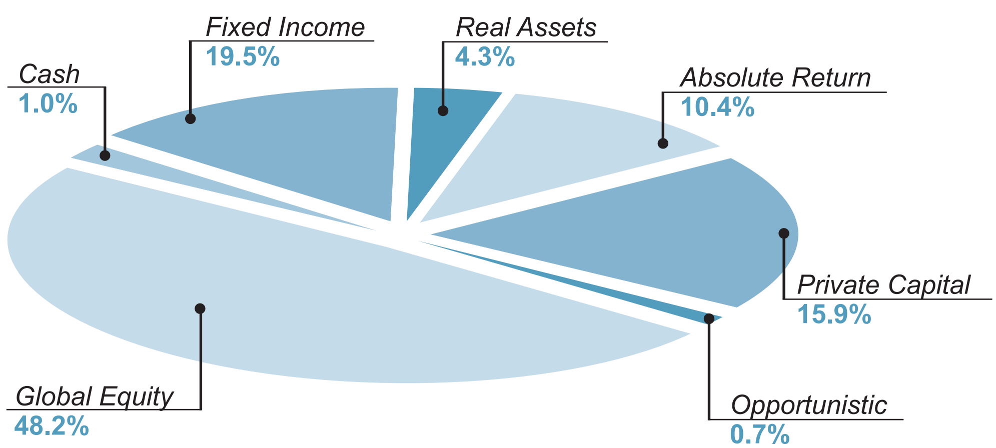
Assets		
Cash and Short Term Investments	$	91,890,107
Total Investments		3,508,803,613
Total Receivables		84,869,186
Properties and Equipment at Cost, Net of Accumulated Depreciation		6,054,859
Other Assets		139,555
TOTAL ASSETS	*$*	*3,691,757,320*
Liabilities		
Payables, Pending Trades & Accrued Expenses		281,030,968
TOTAL LIABILITIES	*$*	*281,030,968*
Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals	*$*	*3,410,726,352*

Statement of Changes in Net Assets

From Investment Activities		
Change in Net Assets Derived from Investment Activities	$	24,699,751
From Participant Activities		
Funds Invested by Members & Employers		305,993,183
Funds Withdrawn by Members & Employers		(296,999,033)
Administrative Expenses		(7,386,801)
Net Increase in Plan Assets	*$*	*26,307,100*
Net Assets		
Beginning of Year	$	3,384,419,252
End of Year	$	3,410,726,352

**The Statement of Plan Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2011 for all plans administered by FPPA is based on the official report on the fund audited by Clifton Larson Allen LLP.*

Asset Allocation As Of December 31, 2011



2011 Annual Report Available

The statements on this page are highlights taken from the FPPA Comprehensive Annual Financial Report for the year ended 2011.

To view or print a copy of the FPPA Comprehensive Annual Financial Report, visit our web site at FPPAco.org and click on *Publications.* Or to request a printed copy of the report, call FPPA at (303) 770-3772 in the Denver Metro area or toll free (800)332-3772 nationwide. FPPA

Annual Rates Announced

Continued from Page 5

has been referred to as a cost of living adjustment or COLA. While cost of living percentages from economic indicators, such as the Social Security Administration, are considered by the FPPA Board for setting this adjustment – there are other equally important factors which cannot be defined as cost of living. More importantly when making the determination of a benefit adjustment the FPPA Board must determine the amount of benefit increase the plans can sustain to ensure appropriate funding of the plans. All of these factors go into the annual Board decision to establish a benefit adjustment.

Statewide Death & Disability Plan

Totally Disabled Members and their Beneficiaries

Under the Statewide Death & Disability Plan, totally disabled members and their beneficiaries are granted a fixed **3.0% benefit adjustment** each year on October 1.

Occupationally Disabled Members and their Beneficiaries and Survivors of Active Duty Members

Occupationally disabled members and their beneficiaries and survivors of active duty members are granted a benefit adjustment at the discretion of the FPPA Board of Directors. The Board decided that occupationally disabled members their beneficiaries and survivors of active duty members will receive a **0.8% increase in October 2012**. Those who retired on or before October 1, 2011 will have their benefit adjusted by this percentage in their October retirement payment. The decision was based on the amount of benefit increase the plan could sustain based on the 2.6% contributions to the plan.

The Statewide Defined Benefit System

Statewide Defined Benefit Plan

The Board decided to grant a **0.43% benefit adjustment** to the retirees and beneficiaries of the Statewide Defined Benefit Plan for October 2012. Those who retired on or before October 1, 2011 will have their benefit adjusted by this percentage in their October retirement payment. The decision was based on the amount of benefit increase the plan could sustain based on the 16% contributions to the plan.

Statewide Hybrid Plan - Defined Benefit Component

A **2.72% benefit adjustment** was granted for all retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component who were retired on or before October 1, 2011. The decision was based on the amount of benefit increase the plan could sustain based on the 13.0% contributions to the plan and keeping the plan 100% funded. The benefit will be adjusted in the October 2012 retirement payment.

Colorado Springs New Hire Pension Plan

Effective October 1, 2012 the following cost-of-living adjustments will be granted for certain retirees of the Colorado Springs New Hire Pension Plans: **Fire Component = 3.0%** and **Police Component = 3.0%**. The FPPA Board of Directors do not establish benefit adjustments for either Colorado Springs New Hire Pension Plans. For both components of the Colorado Springs New Hire Plan cost-of-living adjustments are directed by their plan documents and are linked to the consumer price index (CPI-W) from the previous year. The CPI-W for 2011 was 3.6%. FPPA

FPPA Rules & Regulations

Annual Public Hearing

On September 27, 2012, FPPA held a public rule-making hearing to consider adoption of proposed amendments to Rules & Regulations, which includes new rules, amendments and the repeal of certain other rules. While many of the changes are clerical and technical in nature, some of the proposed amendments may affect the membership.

A complete set of current and proposed rules and regulations are available at FPPAco.org for viewing and/or downloading. A copy may be obtained by calling the FPPA office at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. Any questions concerning rules should be directed to Kevin Lindahl, FPPA General Counsel. FPPA

FPPA Pension CHECK Fire & Police Pension Association of Colorado • FPPAco.org

Articles in This Issue

5290 DTC Parkway, Suite 100, Greenwood Village, CO 80111-2721
FPPAco.org
(303) **770-3772** *in metro Denver,* (800) 332-3772 *toll free nationwide*
(303) 771-7622 *fax*

Email Or Regular Mail - You Get To Choose!

With this issue of the *Pension Check*, we emailed a link to view this newsletter on our website to Members who have provided us with their email address. Members can now also specify how to receive all communications from FPPA.

Now 2 Ways To Let Us Know Your Mailing Preferences

1. **Fill out a form** - An *Email Address Form* may be found on our web site or request by phone to provide or change your email or regular address. On the form you may specify the delivery preferences of the "required" or "optional" correspondence from FPPA.
   - **Required Communications** = Such as legislative notifications, the FPPA newsletter, and other important plan information that are deemed necessary and are considered required information. On the form you may select to receive "required" mail by;
     - Email (which is the default option if we have an email for you), or
     - Regular mail
   - **Optional Communications** = Such as FPPA Seminar invitations, etc. and that are considered optional communication. On the form you may select to receive "optional" mail by;
     - Email (which is the default option if we have an email from you), or
     - Regular mail, or
     - Opt out of any "optional" mailings all together.
2. **The Member Account Portal** (MAP) Login to MAP and under your profile you can specify the communication delivery preferences as described above.

If you have not done so yet... sign up for MAP today!

Just a reminder, if you haven't already signed on to MAP yet - what are you waiting for? MAP is the fastest, secure access to your pension benefit information 24/7.

Active Members have the ability to:

- View your personal profile, account balances, and beneficiary designations,
- Generate retirement benefit estimates,
- Print member statements,
- Estimate the cost of a service credit purchase.

Retired Members have the ability to:

- View your personal profile,
- Printer information about your monthly benefit payments,
- Print 1099-R and Pension Protection Act statements,
- Use the tax withholding calculator to estimate how changing your withholding will impact your monthly payment.

Try it out today! Visit FPPAco.org!