

FPPA PensionCHECK

A review of your retirement benefits.

Volume Three 2007

Pension Protection Act of 2006

*Healthcare
Enhancement for
Local Public Safety
Provision*



The Pension Protection Act (PPA) is a massive, complex law aimed at strengthening pension funds and providing a multitude of changes in the tax treatment of retirement and related benefits. Just a few of the components which affect FPPA members have been addressed in the last two issues of *PensionCheck*. In this issue we zero in on a deeper understanding of the Healthcare Enhancement for Local Public Safety (HELPS) Provision.

HELPS Provision

This component of the PPA grants eligible retired public safety officers an annual federal income tax exclusion of up to \$3000 for amounts paid to cover the cost of qualified health insurance premiums on behalf of the member, his or her spouse, or dependents. To qualify, premiums must be paid through payroll deduction directly from the member's pension plan benefits. Beneficiaries receiving direct distributions from a member's pension plan are not eligible for the exclusion. Each member may only take one \$3000 exclusion annually, even if they are receiving more than one type of eligible pension. Moreover, the member's monthly pension benefit must be equal to or greater than the amount of the member's monthly insurance premium.

Currently, there are three categories of health insurance programs for which FPPA can make direct premium payments through deduction from a member's pension benefit. These programs are summarized below. In order for a specific health insurance plan in any category to qualify, however, it must meet all FPPA requirements.

➤ ***Employer Group Health or FPPA Sponsored Insurance Programs***

There are several employer group health or FPPA sponsored insurance programs for which FPPA is currently withholding and paying monthly insurance premiums for retirees. A list of these group plans appears on FPPA's website. If you are an employer offering a group plan that is not listed or a member enrolled in an employer group plan that is not listed, we strongly encourage you to contact FPPA for more information as to how your group plan can qualify for participation in this program.

➤ ***United Healthcare (UHC) Insurance Offered Through AARP Health Care Options***

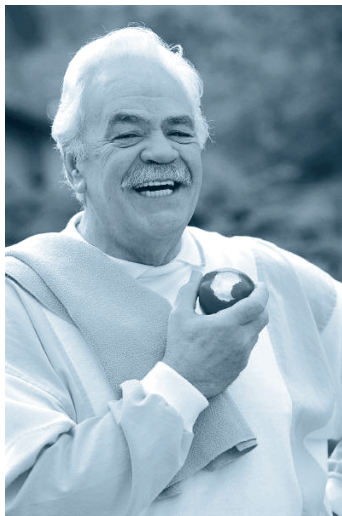
FPPA has now made arrangements for the direct payment of insurance premiums for retirees enrolled in the UHC insurance made available through AARP Health Care Options. The program, effective October 1, 2007, is for Medicare supplemental plans and thus only available to members 65 or over.

- For members who may wish to enroll in an AARP Medicare Supplement Insurance Plan available through the AARP Health Care Options Program and insured by UHC and wish to take advantage of the PPA tax exclusion, please call AARP Health Care Options at 1(800) 545-1797.* **When calling, it is important that you request to be enrolled in Medicare Supplement Plan #941.** Once enrolled, no further action is required. Your premium will be deducted from your FPPA retirement benefit and paid to UHC.

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Pension Protection Act of 2006

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- For members who wish to join the prescription coverage offered by AARP through UHC called AARP Medicare Rx Plans and wish to take advantage of the PPA tax exclusion, please call 1(877) 710-5083.* **When calling, it is important that you request to be enrolled in Medicare Prescription Drug Plan #472.** Once enrolled, no further action is required. Your premium will be deducted from your FPPA retirement benefit and paid to UHC.

**Due to the complexity of each situation it is up to the member to determine their eligibility for this PPA tax exclusion. Participation in the FPPA Premium Deduction Program does not guarantee that a member is eligible for the tax exclusion. Several conditions apply. Please refer to the PPA Q&A on the FPPA web site.*

- If you **currently are a policyholder** with UHC through AARP Health Care Options for health care and/or a prescription plan, the following steps must be completed in order for your insurance premiums to be paid by FPPA:

Step #1 Download from the FPPA web site the following form:

- *Authorization for Premium Deductions*

Step #2 Complete, sign and return the form to FPPA.

Once your authorization form is received by FPPA, we will arrange with UHC for direct payment of your premium through withholding from your monthly pension benefit. FPPA will send you a confirmation letter stating the effective date of your premium withholding. You should continue your current method of payment until the date noted in the confirmation letter.

If you would like to begin the monthly pension benefit withholding in 2007, please return the authorization form by October 12, 2007. The earliest date this withholding will begin is with your November 2007 monthly pension benefit.

If you return the authorization form after October 12, 2007, please rely on your confirmation letter from FPPA to alert you as to when the first withholding will be made from your pension check.

► *Individual Third Party Insurance Programs*

The FPPA Board of Directors has approved the expansion of the premium withholding program to include retirees having individual policies with third party insurance carriers who comply with FPPA requirements.

The following steps must be completed in order for your insurance carrier to enroll in this program:

Step #1 Contact your insurance carrier and request that the carrier complete and submit to FPPA the following form:

- *Retiree Public Safety Officers Insurance Carrier Agreement*

Either you or your carrier may download the agreement from the FPPA website.

Step #2 After FPPA has entered into the agreement with the insurance carrier we will add the carrier to the third party insurance provider list on our website. The names of such carriers will also be published in our newsletter as they are added to the list.

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In our continuing efforts to improve our internal systems, FPPA announces a new web-based contribution reporting system beginning January 1, 2008 for all employers of FPPA members. This new system will offer more functionality, security as well as capabilities for expansion in the future.

The new system will offer two ways for employers to report their contributions to FPPA. The first way will be via a file transmitted into the secure employer portal found on the FPPA web site. This method is preferred by FPPA and strongly recommended for employers with 50 or more members. The second method for reporting contributions is to update member data directly within the secure employer portal using the last reported payroll to FPPA.

In order to transmit a file to the FPPA secure employer portal, the member information must be submitted in an updated contribution reporting format. Read more about this new reporting format on our web site under the "What's New" heading. This way of reporting will be effective for contribution information received by FPPA on or after January 1, 2008. For many employers that will include your December 2007 payroll. In order to ensure the best possible reporting we are suggesting that once you have created the new report from your payroll systems, contact FPPA so that your file information may be tested.

Please note that FPPA will no longer provide turnaround reports and will not accept paper reporting from Employers in the future. The last turnaround report to employers will be mailed November 2007.

We will be contacting each employer over the next few months to determine the progress of the new reporting format, to assign login information to the new systems, and to answer questions regarding the new process. In addition, FPPA will host internet webinar training sessions on the new reporting system later this year. Invitations to those sessions will be emailed to all employers as well as announced on our web site. At those sessions, we will answer questions and demonstrate the functions of the new employer portal system.

For questions regarding the new contribution reporting formats, please contact Ali Lone or Charles Duran at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free statewide. **FPPA**

- Step #3 Once you find your carrier on the third party insurance provider list, download the following form:
- *Public Safety Officer Authorization for Insurance Premium Deduction*
- Fill out the form and submit it to FPPA.
- Step #4 FPPA will notify you as to whether you qualify for the program and, if you do, the start date for your premiums to be deducted from your FPPA pension.

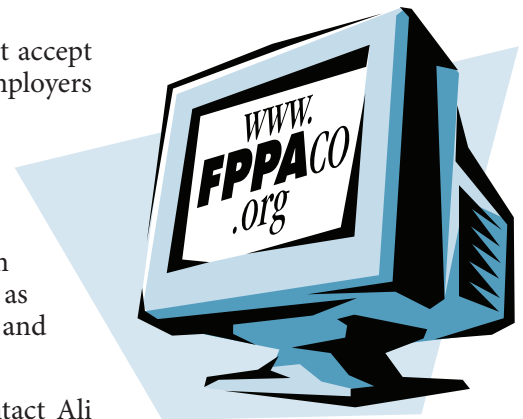
FPPA is dedicated to offering the Insurance Premium Deduction Program to as many retirees as possible. Understandably there are enormous administrative considerations to overcome. Our concerns for efficiency and security are paramount. It is also important for each retiree to understand completely the details of the Program. We will be updating our website as more information becomes available. Please check there often to keep apprised as to new developments.

If you do not have web access, please call FPPA for the forms and/or information about the Health Insurance Premium Provision. **FPPA**

EMPLOYERS:

Announcing A New Contribution Reporting Format Effective 1.1.08

To learn more about the new reporting format and to find helpful samples visit www.FPPAco.org.



Pension Protection Act of 2006

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Annual Rates Announced

*SRA Allocation Rates,
Statewide Death
& Disability Plan
Contribution Rates,
and COLA's*

Based on the results of the annual actuarial valuation of the FPPA Defined Benefit System and the Statewide Death & Disability Plan, the Board of Directors approved the following SRA, COLA and contribution rates.

Stabilization Reserve Account - SRA

SRA Allocation Rates

An SRA allocation may be made yearly depending on whether contributions payable to a plan fund within the FPPA Defined Benefit System exceed the cost of funding the plan's defined benefits. Any excess may be allocated from employer contributions to an SRA account in each member's name. A member's SRA account only vests and becomes available to the member upon retirement. This account is in addition to a normal, vested, early or deferred retirement pension. For more information on SRA accounts, please refer to the FPPA Member Handbook available on the web or by calling FPPA. Excess contributions, if any, to the Statewide Hybrid Plan are made to the member's money purchase component account and therefore do not have an SRA.

The FPPA Board of Directors has set the following SRA contribution rates for certain members within the FPPA Defined Benefit System.

The SRA rate for the **Statewide Defined Benefit Plan** is **.7%**. The required 16% combined contribution rate from members and employers fully funded this plan with a surplus of .7%. This SRA contribution rate went into effect August 1, 2007.

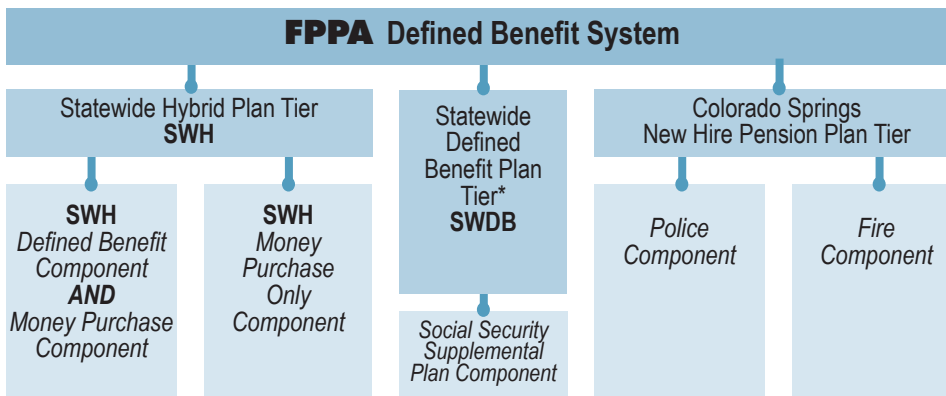
The SRA rate for **members of a money purchase plan who re-entered the Statewide Defined Benefit System** is **3.5%**. The required 20% combined contribution rate

from members and employers in this tier fully funded this plan with a total surplus of 3.5% (2.8% for this group + .7% base SRA). This SRA contribution rate went into effect August 1, 2007.

The SRA rate for **members of the New Supplemental Social Security Retirement Plan** is **.35%**. The required 8% combined contribution rate from members and employers fully funded this plan with a

surplus of .35%. This SRA contribution rate went into effect August 1, 2007.

The Colorado Springs New Hire Pension Plan became a part of the FPPA Defined Benefit System on October 1, 2006. The SRA allocation for each of the **Colorado Springs New Hire Pension Plans - Fire & Police Components** continues at **0%**.



Contribution Rates

Statewide Death & Disability Plan Contribution Rates

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.

Annual Rates Announced

Continued

The Statewide Death & Disability Plan contribution rate was set last year at 2.6% and is effective from January 1, 2007 through December 31, 2008. 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 Hybrid Plan - Defined Benefit Component Contribution Rate

In the July 2007 Board meeting, the Board of Directors set the **Defined Benefit Component of the Statewide Hybrid Plan contribution rate at 10.25%** effective August 1, 2007. Each department in the Statewide Hybrid Plan establishes a total contribution rate. After the 10.25% is allocated to the Defined Benefit Component, the remainder of the total contribution rate is then directed to the Money Purchase Component.

The Colorado Springs New Hire Pension Plan Tier - Police & Fire Contribution Rates

In the August 2007 Board meeting, the Board of Directors set the following contribution rates for the Colorado Springs New Hire Pensions Plans effective January 1, 2008. The Police Component contribution rate is 16.864% (8.864% employer + 8% member). The Fire Component contribution rate is 16.353% (8.228% employer + 8.125% member).

Cost-of-Living - COLA

COLA (Cost-of-Living) Adjustments

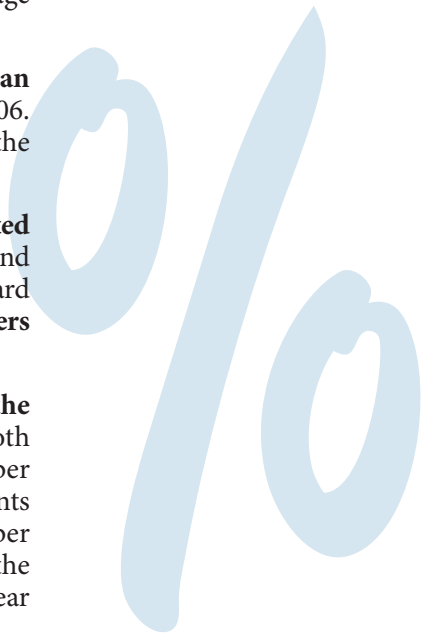
Colorado Revised Statutes provide that COLA's to statewide plans administered by FPPA are to be determined by the FPPA Board of Directors each year (with the exception of Colorado Springs - see below). Annual COLA increases are capped by Statute at no more than 3% and, except for totally disabled members, may only be granted if actuarially supportable. Announced annual COLA's are effective every year beginning October 1.

A 3.0% COLA for 2007 was granted for all retirees of the Statewide Defined Benefit Plan who were retired on or before October 1, 2006. Those who retired after October 1, 2006 will have their benefit adjusted by the COLA percentage announced next October.

A 3.0% COLA for 2007 was granted for all retirees of the Statewide Hybrid Plan - Defined Benefit Component who were retired on or before October 1, 2006. Those who retired after October 1, 2006 will have their benefit adjusted by the COLA percentage announced next October.

Under the Statewide Death & Disability Plan, **totally disabled members are granted a fixed 3.0% COLA** each year on October 1. Occupationally disabled members and survivors of active members are granted a COLA at the discretion of the FPPA Board of Directors. At the July 2007 Board meeting - **occupationally disabled members and survivors of active duty members were granted a 3.0% COLA.**

A 3.0% COLA effective October 1, 2007 was granted for certain retirees of the Colorado Springs New Hire Pension - Fire & Police Components. For both components COLA's begin on the October 1st immediately prior to a member turning age 60 (Police) or 65 (Firefighter) or 10 years after benefit payments commence, whichever is earlier. Thereafter the COLA changes are effective October 1st of each year. Per the plan documents of both components, the amount of the COLA is established by the plan administrator and cannot exceed 3.0% per year subject to limitations linked to the consumer price index. **FPPA**



Comprehensive Annual Financial Report Highlights

For the Fiscal
Year Ended
December 31, 2006



Statement of Plan Net Assets

Assets

Cash and Cash Equivalents	\$ 4,036,266
Total Investments	3,866,866,681
Total Receivables	231,975,406
Properties and Equipment at Cost, Net of Accumulated Depreciation	3,141,039
Other Assets	191,190

TOTAL ASSETS \$ 4,106,210,582

Liabilities

Payables, Pending Trades & Accrued Expenses	745,513,617
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TOTAL LIABILITIES \$ 745,513,617

Net Assets Held in Trust for Pension Benefits \$ 3,360,696,965

Statement of Changes in Net Assets

From Investment Activities

Change in Net Assets Derived from Investment Activities	\$ 428,071,167
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From Participant Activities

Funds Invested by Members & Employers	178,396,001
Funds Withdrawn by Members & Employers	(200,355,610)
Administrative Expenses	(4,203,557)

Net Increase in Plan Assets \$ 401,908,001

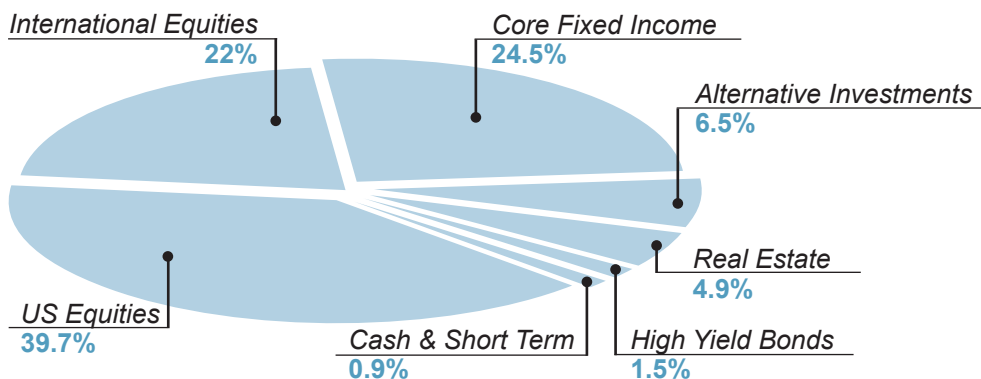
Net Assets Available for Pension Benefits

Beginning of Year	\$ 2,958,788,964
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End of Year \$ 3,360,696,965

This Statement of Plan Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2006 for all Plans administered by FPPA is based on the official audit report on the fund prepared by Bondi & Co. LLP.

2006 Asset Allocation As Of December 31, 2006



The statements on this page are highlights taken from the FPPA Comprehensive Annual Financial Report for the year ended 2006.

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 log on to www.FPPAco.org to view, download or print a copy of the report. If you have any questions about the report, please contact Charles Duran, FPPA Controller at the numbers listed above. **FPPA**

Bill Morris, Fire & Police Pension Association CEO announced this summer the appointment of J. Scott Simon to the position of Chief Investment Officer.

“The Board of Directors and Executive Staff conducted a national search for the right candidate to head up the Investment Department of FPPA,” Mr. Morris reports. “We believe that Scott proved to be the best choice and will bring the necessary skills for this position.”

Mr. Simon comes to FPPA with a vast background of professional investment management. Previously he was a Portfolio Manager with the University of Colorado Foundation overseeing an \$900 million investment portfolio. Scott began his career as an investment analyst with Denver Employees Retirement Plan.

“As a Colorado native,” Scott tells us, “I consider it a real honor to have the opportunity to serve the dedicated Firefighters and Police Officers of this state.”

Simon’s primary responsibility as CIO will be to oversee and manage the functions of the FPPA’s Investment Department. Scott will also assist the CEO and the Board of Directors by providing analysis and monitoring of the FPPA investment portfolio, asset allocation and returns relative to investment policy and benchmarks.

Scott holds a B.S in Business Administration and M.S. in Finance from the University of Colorado. He also holds a J.D. from the University of Denver and is a licensed attorney in the state of Colorado. Scott has also earned the Chartered Financial Analyst (CFA) designation. **FPPA**

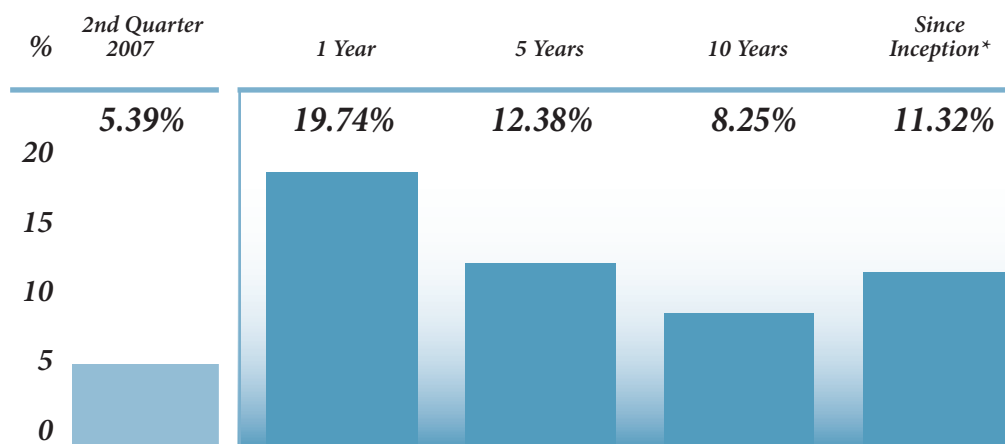


J. Scott Simon

Chief Investment Officer Named

As of June 30, 2007 FPPA announced that total assets including defined benefit as well as defined contribution plans continues to grow over the \$3 billion dollar mark to a total of \$3.49 billion. **FPPA**

FPPA Total Assets



FPPA Investment Returns

Of Defined Plans as of June 30, 2007



* For trailing 10 years, returns are gross of all fees; since inception is net of pre-1995 private asset management fees.

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Upcoming Seminar

Protecting Your Nest Egg



**Thursday
October 25th
6 - 8:30 pm**

Denver Police
Protective Association
Event Center
2105 Decatur Street
Denver

This seminar will cover three hot topics facing members as they consider retirement. Estate planning, finding adequate health insurance prior to age 65 and when is the right time to consider long-term care.

Estate Planning

Planning for retirement unfortunately doesn't mean just stock piling up as much money as you can for as long as you can. There's plenty more to think about. We'll be talking about living wills, powers of attorney, guardians, avoiding probate and issues which are very important to protecting your future financial success.

Health Insurance After Retirement and Before Age 65

If you're hoping to retire before age 65 and think health insurance won't be a problem... think again. The gap between retirement prior to becoming eligible for Medicare at age 65 can be a real challenge. At this seminar we will provide information about individual major medical plans for those not yet eligible for Medicare.

Long-Term Care

One of the greatest risks to your financial security in retirement is the cost of long-term care. We'll help you separate fact from fiction when it comes to protecting yourself and your family from the potentially devastating costs of this kind of care.

For more information about this seminar, call Janette Hester at the phone numbers listed above, or log on to www.FPPAco.org and click on the Calendar page. **FPPA**