

FPPA Pension CHECK

A review of your retirement benefits.

Winter 2006

Statewide Health Care Defined Benefit Plan Update

*For Members of
The Statewide
Defined Benefit Plan
The Statewide
Money Purchase
Plan
and the
Statewide
Hybrid Plan*

As we announced in the last issue of *PensionCheck* active police officers and firefighters covered by the Statewide Defined Benefit Plan, the Statewide Money Purchase Plan and the Statewide Hybrid Plan approved the implementation of the Statewide Health Care Defined Benefit Plan. The proposed effective date of the plan was to be January 1, 2006 pending IRS approval. Unfortunately FPPA has not yet received the IRS approval to move forward with the implementation of the plan.

Obviously the main key to the implementation of the Plan is the IRS approval of the tax deferment of contributions. FPPA is doing everything possible to expedite the process through the required levels of the IRS review. In the meantime, we have been setting into place the infrastructure required to implement the Plan once IRS approval is granted. We encourage you to visit the FPPA web sit at www.FPPAco.org to read and or download a copy of the *Summary of the Statewide Health Care Defined Benefit Plan Benefit Features* and review the specifics of the plan. The publication may be found on the first page under "What's New?"

Once we receive the IRS approval we will notify members through a special bulletin mailing as well as on our web site. **FPPA**

Diversification Lifts Return On Member's Benefit Fund

For the third year in a row, the Members' Benefit Fund has posted a solid return, well in excess of the Fund's actuarial return objective of 8%. As illustrated on Page 7, the Fund returned 10.15% (gross) for 2005 and now has an annualized return of 14.83% (gross) over the last three calendar years. This is a remarkable turnaround from the 2000-2002 period when the bursting of the tech bubble, followed by a recession and the events of 9/11, sent stock markets worldwide into a downward spiral.

Dissecting returns from 2005 reinforces the benefits of diversification reflected in the Fund's asset allocation policy. The US stock market, as measured by the Russell 3000 Index, returned 6.12% in 2005. The US bond market, as measured by the Lehman Aggregate Index, could muster only a 2.43% return for the year. While a majority of the Fund's assets are allocated to these asset classes, what lifted fund returns this year were smaller allocations to international stocks, real estate and alternative investments. Specifically, the Fund's international equity portfolio returned 17.56% for the year, the real estate portfolio returned 25.67% and the alternative investment portfolio returned 36.22% for 2005.

While US stocks and bonds remain the bread and butter for US-based institutional investors, 2005 again proved the benefits of diversifying across asset classes and markets. Looking ahead to 2006, we are optimistic about the economy and investment markets. Our investment strategies, however, are not based on short-term expectations, but remain tied to a longer-term perspective on the economy and financial markets. **FPPA**

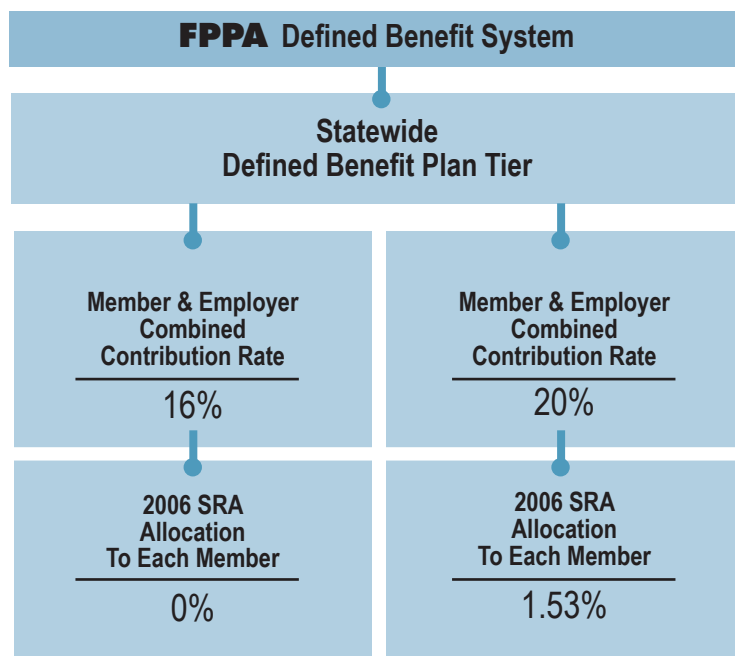
SRA Rate Announced

*Statewide
Defined Benefit
Plan Members*

The FPPA Board of Directors has set the 2006 Stabilization Reserve Account (SRA) contribution rates for members of the Statewide Defined Benefit Plan as well as those re-entering the FPPA Defined Benefit System into the Statewide Defined Benefit Plan.

The SRA balance is calculated in the following way. After the combined employee and employer contributions are received to fund the Statewide Defined Benefit Plan and after all of the plan costs are paid, any surplus amount as determined by the FPPA Board following the actuarial review may be allocated from employer contributions to an SRA account in each member's name.

The original intent of the SRA was to provide an additional retirement benefit for when the cost to fund the Plan would fall below the necessary percentage mark to



fund the Plan and to protect from having to cut benefits or raise contribution rates in the event of unfavorable market conditions. The SRA allocation is calculated yearly based on the amount of contributions needed to fund the Statewide Defined Benefit Plan from the previous year.

The 2006 SRA allocation for the Statewide Defined Benefit Plan is 0%. The required 16% combined

contribution rate from Members & Employers fully funded the Plan with no surplus. This SRA contribution rate went into effect January 1, 2006.

The 2006 SRA allocation for members who re-entered the Statewide Defined Benefit System at the 20% contribution is 1.53%. The required 20% combined contribution rate from Members & Employers fully funded the Plan with a surplus of 1.53%. This SRA contribution rate went into effect September 1, 2005. **FPPA**

D&D Contribution Rate

*Employers of
Statewide
Death & Disability
Plan Members*

For Colorado firefighters and police officers hired on or after January 1, 1997, employers are required to contribute a percentage of each member's base pay for coverage under the Statewide Death & Disability Plan. The employer, in conjunction with its members, decides who actually pays the contribution.

The contribution rate is currently 2.5% as set at the July 2004 Board Meeting. The rate is effective from January 1, 2005 through December 31, 2006. According to Colorado State 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. **FPPA**

Governor Bill Owens has named two new members to the Fire and Police Pension Association Board of Directors, **Stanley Sponsel** and **Kirk Miller**. **Stanley Sponsel**, is a retired Denver Assistant Fire Chief. He fills the position on the Board calling for alternating terms of either a retired police officer or retired firefighter. Mr. Sponsel began his term on the FPPA Board of Directors at the September 2005 Board meeting. His term will extend until September 2009. **Kirk Miller**, is an active Police Officer with the Denver Police Department. He fills the position on the Board calling for an active Police Officer. Mr. Miller also began his term at the September 2005 Board meeting and will serve until September 2009. In addition, **Todd Bower** was re-appointed by the Governor for another term.

FPPA Board Of Directors

2005 - 2006 Term



Todd Bower



Monica Cortez-Sangster

The Board elected positions for this session of the FPPA Board of Directors are **Todd Bower** as the Board Chair, and **Monica Cortez-Sangster** as Vice Chair. Mr. Bower fills the position on the Board representing active firefighters. He is a Captain with the Denver Fire Department. **Monica Cortez-Sangster** is the Director of Human Resources for the Colorado Department of Personnel & Administration. She fills the required position on the Board for a member to be experienced in insurance disability claims.

Other FPPA Board Members serving during the 2005-2006 Term are listed below. **FPPA**



Stanley Sponsel



Kirk Miller



John Bramble



Kristine Gardner



Leo Johnson



Ron Lappi



Mark Sunderhuse



Jackie Thompson

Ruth Ryerson, Fire & Police Pension Association CEO announced last fall that **Jackie Thompson**, Chief Benefits Officer will be retiring from FPPA effective January 2006. "Jackie brought to this organization a great compassion for the members," Ruth announced, "under her leadership, many current enhancements to member benefits will be appreciated for many years to come." Ruth further said that on behalf of FPPA Staff and the Board of Directors, Jackie's service to FPPA was widely respected and greatly appreciated.

At that time Ruth Ryerson also named Jackie's replacement as **Amy Tlachac**. Amy comes to FPPA from Great-West Life where she was the Managing Director of Advised Assets Group, LLC, a subsidiary company of Great-West Life. Amy also brings to this position the credentials of being a Certified Employee Benefit Specialist (CEBS), and was the 2004 President of the Colorado Chapter of the International Society of Certified Employee Benefit Specialists. **FPPA**

New Chief Benefits Officer Named



Amy Tlachac

Legislative News

2006
Legislative
Session



The following information summarizes legislative bills which are of interest to the FPPA membership from the current Colorado General Assembly. All of these bills were introduced by FPPA and sponsored by the Pension Reform Commission.

For the actual technical legislative language of the following bills visit the Colorado State web site at www.colorado.gov. Once there scroll down and click on the *Colorado Legislature Homepage* link. Then click on either the *House* or *Senate Bills* link which will take you to each of the bills by number.

Also listed with each piece of Legislation are the Sponsors and Co-Sponsors from both the State Senate and the State House of Representatives. We encourage our members to support these legislators as they move these bills through the law making process.

House Bill 06-1059 - FPPA Structure Legislation

Concerning the structure of trust funds and investment funds in the administration of assets for the benefit of firefighters and police officers.

Bill Highlights

- Statutory amendments are necessary to align FPPA defined benefit system with current IRS requirements and pending approvals.
- Separates assets into trust funds and investments funds for simplified financial reporting.

Sponsor

James Riesberg, Colorado State House Representative, District 50
Mr. Riesberg serves on the Appropriations, Capital Development & Health and Human Services Committees.

Co-Sponsor

Suzanne Williams, Colorado State Senator, District 28
Ms. Williams serves as the Vice-Chair of the Transportation Committee, as well as a member of the Appropriations and Education Committees

House Bill 06-1068 - FPPA Social Security Supplemental Plan Legislation

Concerning the creation of a Social Security supplemental plan by the Board of Directors of the Fire and Police Pension Association that will allow employers that cover employees under the Federal "Social Security Act" to provide a defined benefit retirement plan.

Bill Highlights

- Converts current Social Security supplemental plan into a more modern defined benefit plan.
- Eliminates Social Security offset. Provides for ½ of the standard Statewide Defined Benefit Plan (SWDB) benefit based on ½ of the SWDB contribution rate.
- Reduces staff and actuarial costs in calculating individual benefits.
- Benefits become calculable for members prior to retirement.
- Existing members vest in benefits earned prior to conversion. Existing members receive a combination of old and new benefits at retirement.
- Contribution rates for employers and members become fixed and predictable from year to year.
- Contribution rates and benefits do not change based on any future changes made to Social Security.

Sponsor

Gary Lindstrom, Colorado State House Representative, District 56
Mr. Lindstrom serves as the Vice-Chair of the Local Government Committee, as well as a member of the Transportation & Energy Committee

Co-Sponsor

Dan Grossman, Colorado State Senator, District 32

Mr. Grossman serves as the Chair of the Judiciary Committee, Vice-chair of the Agriculture, Natural Resources & Energy Committee, as well as a member of the Appropriations and Legal Services Committees

Senate Bill 06-039 - FPPA Hybrid Plan Partial Entry Legislation

Concerning the partial entry into the Fire and Police Pension Association Defined Benefit System by members of Money Purchase Plans where all future eligible employees are required to participate in the Defined Benefit System.

Bill Highlights

- Allows a department with a local money purchase plan to put members hired after effective date in either the Statewide Hybrid Plan or the Statewide Defined Benefit plan and allows existing members in the local money purchase plan to individually elect participation either the local money purchase plan or the FPPA Defined Benefit System.
- The option to remain in a local money purchase plan is offered at the discretion of the Employer.

Sponsor

Lois Tochtrop, Colorado State Senator, District 24

Ms. Tochtrop serves as the Vice-Chair of the Business, Labor & Technology Committee, as well as a member of the Agriculture, Natural Resources & Energy and Local Government Committees.

Co-Sponsor

Anne McGihon, Colorado State House Representative, District 3

Ms. McGihon serves as the Vice-Chair of the Legal Services Committee, as well as a member of the Judiciary and the Health & Human Services Committees. **FPPA**

Colorado state statute establishes the criteria for a cost of living adjustment (COLA) to statewide plans administered by FPPA. The criteria states that it is the determination of the FPPA Board of Directors each year to set COLA percentages. Announced annual COLA's are effective every year beginning October 1. Each percentage announced is cumulative and compounds upon the previous year's percentage.

Statewide Defined Benefit Plan Retirees

A 2.6% COLA for 2005 was granted for all retirees of the Statewide Defined Benefit Plan who were retired on or before October 1 of 2004. Those who retired after October 1 of 2004 will have their benefit adjusted by the COLA percentage announced next October.

Statewide Hybrid Plan - Defined Benefit Component Retirees

A 2.6% COLA for 2005 was granted for all retirees of the Statewide Hybrid Plan - Defined Benefit Component who were retired on or before October 1, 2004. Those who retired after October 1, 2004 will have their benefit adjusted by the COLA percentage announced next October.

Statewide Death and Disability Plan Members and Survivors

Under the Statewide Death & Disability Plan, **totally disabled** members are granted a fixed 3% COLA each year on October 1. **Occupationally disabled** members and **survivors** are granted a COLA at the discretion of the FPPA Board of Directors. At the August Board meeting - occupationally disabled members and survivors of active duty members were also granted a 3% COLA. **FPPA**

Cost of Living Adjustments

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



Smart Investing

Doesn't Mean
You Have To Do It
All Yourself

Announcing Fidelity®
Retirement Plan
Manager®

For Members of

The DROP Plan

The 457 Deferred
Compensation Plan

The Statewide
Money Purchase Plan

The Statewide
Hybrid Plan -
Money Purchase
Component

and

Local Money
Purchase Plans
Affiliated with FPPA

There are probably lots of things that come naturally to you, but investing your retirement savings may not be one of them. Fortunately, it doesn't have to be. With Fidelity Retirement Plan Manager® you can feel confident knowing that your retirement plan savings account is being managed by Fidelity Investments—so you can focus on other priorities.

Fidelity Retirement Plan Manager is the smart, easy way to stay on target to meeting your retirement goals. It lets you:

RELY ON THE EXPERTS.

Investment experts at Fidelity's Strategic Advisers, Inc. will manage your retirement plan account. They'll invest your account in a portfolio that's appropriate for you from the options available within your Plan. Each year, you'll receive an investment strategy review. You'll feel confident that your account will adjust to fluctuating market conditions as well as to changes in your personal financial situation.

STOP WORRYING.

Professional management helps you to avoid common investor pitfalls—like not rebalancing your portfolio, trying to time the market, or chasing hot investments. And, with convenient account access, you can stay up to date while enjoying the flexibility to start or stop the service whenever you like—so you'll never feel locked in.



ENJOY PROFESSIONAL SERVICE.

Each year, you'll receive an investment strategy review. Plus, you can speak via phone with an investment professional about your account at any time. To enroll or for more information, call 1(866) 630-8636, Monday through Friday, 6:00 A.M. to 6:00 P.M. MST—whenever and wherever it's convenient for you. This service will be available for FPPA Members beginning February 15, 2006.

Please note that there are additional fees for the Fidelity Retirement Plan Manager service.

Performance of the model portfolios depends on the performance of the underlying investment options. These investments are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to additional risks associated with investing in high yield, small cap and foreign securities.

Fidelity Retirement Plan Manager is a service of Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company.

Fidelity Investments Tax-Exempt Services Company is a division of Fidelity Investments Institutional Services Company, Inc.

Below are listed the 2006 Annual Contribution Limits for the FPPA 457 Deferred Compensation Plan as well as the Statewide Money Purchase Plan and local money purchase plans. **FPPA**

FPPA 457 Deferred Compensation Plan

Contribution Limits

Year	Annual Contribution Limit
2006	\$15,000
2007	\$15,500

The limits will be indexed for inflation in \$500 increments after 2006.

Catch-up Contribution Limits for Members Age 50 and Older

Year	Catch Up Contribution Limit
2006	\$5,000
2007	\$5,500

The limits will be indexed for inflation in \$500 increments after 2006.

As an alternative to the age 50 catch-up, a FPPA 457 plan participant is eligible to defer up to twice the contribution limit in effect for the 3 years preceding the employee's normal retirement age.

New Annual Contribution Limits

For Members of

The 457 Deferred Compensation Plan

The Statewide Money Purchase Plan

The Statewide Hybrid Plan - Money Purchase Component

and

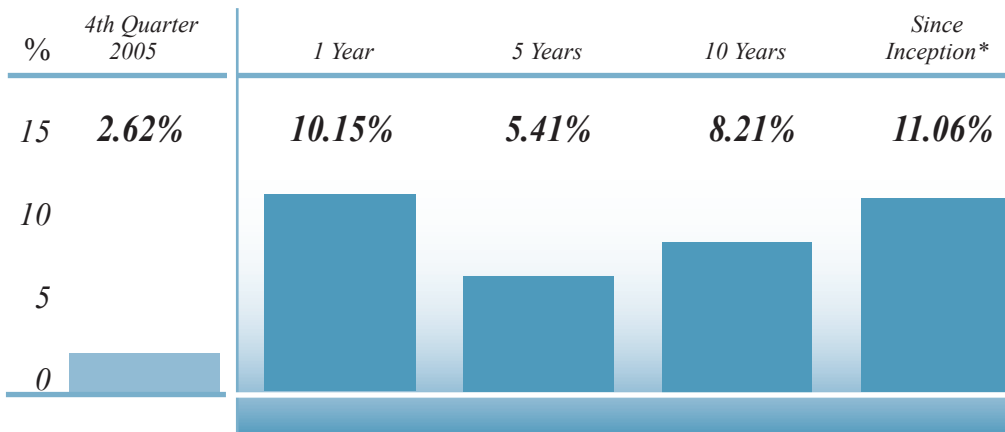
A Local Money Purchase Plan

Statewide Money Purchase Plan, Statewide Hybrid Plan - Money Purchase Component and local money purchase plans

2006 Contribution Limits

The annual limit on total employee and employer contributions to a participant's money purchase plan account is the lesser of \$44,000 or 100% of compensation.

After 2006 the limit will be indexed based on inflation in \$1,000 increments.



FPPA Investment Returns

*As of December 31, 2005
Total Assets Were \$2.84 Billion.*



** 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

Mark your calendar
for this event...

*it is one of our
most popular
seminars!*

It's time to Retire!



FPPA Pre-Retirement Planning Seminar

Saturday • April 8th

Denver Police
Protective Association
Event Center

Registration and Continental Breakfast 8:30 - 9 am • Seminar 9 am - 3:45 pm
(There will be a no host lunch break from 11:15am - 12:30 pm.)

If you are within 10 years of retirement, this seminar is for you. From Social Security issues to financial and estate planning, you'll walk away with the most up-to-date retirement information available.

For more information about this seminar, call Rory Mammen at the phone numbers listed at the top of this page, or log on to www.fppaco.org and click on the *Calendar* page. **FPPA**