

FPPA Pension CHECK

A review of your retirement benefits.

Spring 2002

New Hire Election Now Underway!

Statewide Defined Benefit Plan Members "New Hires"



FPPA is currently conducting an election for Employers and active plan Members to vote on four proposed amendments to the Statewide Defined Benefit "New Hire" Plan.

All "New Hire" police officers and firefighters (hired on or after April 8, 1978) covered by the Statewide Defined Benefit Plan and their Employers are eligible to vote. Active and retired old hire Members of local pension plans and Members of money purchase plans are unaffected by the election and will not participate. Additionally, retired Members already receiving benefits under the Statewide Defined Benefit Plan do not vote, as their benefits will not change regardless of the outcome of this election.

The following is a brief timeline of the election now underway. Specific dates of when materials are due back to FPPA appear in the packets which have been mailed or distributed to all Employers.

2002 Statewide Defined Benefit Plan Election Timeline

April

- Voting materials mailed or distributed to Employers.
- Employers distribute election information and ballots to FPPA Members.

May

- Employers collect the ballots from Members.

June

- Certification of the vote by the Employer is mailed or delivered to FPPA.

July

- The votes are tallied and the certification of the results are submitted to the FPPA Board of Directors by the FPPA Chief Executive Officer.
- The FPPA Board of Directors certifies the election at the July Board Meeting.

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Official Employee Ballot

FPPA
STATEWIDE
Defined Benefit Plan

2002 Proposed Amendments

Each of the amendments below are written in plain language derived from the proposed plan amendments. Please refer to Resolution 2002-2 adopted by the FPPA Board of Directors for the actual language of the proposed plan amendments.

(check yes or no)

Amendment 1 Yes No

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.

Cost as annual % of pay = 0%

(check yes or no)

Amendment 2 Yes No

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.

Cost as annual % of pay = 0%

(check yes or no)

Amendment 3 Yes No

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.

Cost as annual % of pay = 0%

(check yes or no)

Amendment 4 Yes No

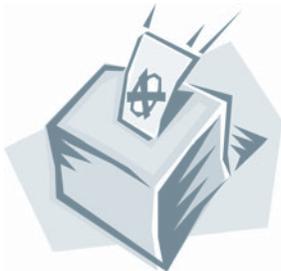
Allow members who meet the requirements for Early Retirement (age 50 or 30 yrs of service) and the members who meet the requirements for a Vested Retirement (at least 10-24 yrs of service and age 55) to participate in the Deferred Retirement Option Plan (DROP).

Cost as annual % of pay = 0%

FIRE & POLICE PENSION ASSOCIATION

New Hire Election

Continued From Previous Page



2002 Statewide Defined Benefit Plan Election Overview

This New Hire plan election is giving participating members and employers an opportunity to consider changing pension benefits by the following four *no-cost* proposed amendments.

Amendment #1

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.

Current 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

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.

Current Plan Provision - SRA monies are commingled for investment purposes in the Fire & Police Members' Benefit Fund and earn investment return based on the performance of that fund.

Amendment #3

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.

Current Plan Provision - DROP monies are commingled for investment purposes in the Fire & Police Members' Benefit Fund and earn investment return based on the performance of that fund.

Amendment #4

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 – 24 years of service and age 55) to participate in the Deferred Retirement Option Plan (DROP).

**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.*

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

Study The Amendments And Vote!

Colorado State Statute mandates that benefit changes to The Statewide Defined Benefit Plan be brought before the membership in the form of an election. This election then guarantees that the will of the membership be voiced in matters which will directly effect them.

In order to become effective, each amendment must be approved by an affirmative vote of at least 65% of active plan members and more than 50% of their employers.

Take the time to study the amendments carefully and decide if you approve or disapprove of such a change to your pension benefits and then vote accordingly! FPPA

By now, anyone who reads the newspaper or listens to the news is at least somewhat familiar with the Enron debacle. A once high-flying energy company, questions about its accounting practices led to a re-evaluation of the actual worth of its business. Enron's stock plummeted from a high of \$80 per share a little over one year ago to almost nothing by the end of November 2001.

Particularly alarming were the stories about the losses which Enron employees suffered in their retirement plan. It appears the employees had a 401(k) plan and, in most instances, each employee's account was heavily invested in Enron stock. The value of these accounts plummeted as Enron stock fell.

FPPA has received several calls from concerned members asking about FPPA's exposure to Enron stock and whether their retirement benefits will be affected. First, most FPPA members are enrolled in a defined benefit pension plan where retirement benefits are based on a percentage of salary and are guaranteed once eligibility requirements are met. Second, the fund assets which back these defined benefit plans are well diversified across and within the major asset classes (stocks, bonds, real estate, etc.). We diversify precisely because we want to reduce the risk from concentrating investments in a particular market or a single stock or bond.

As is the case with nearly all large institutional investors, FPPA had some exposure to Enron stock in its portfolio. Most of that exposure was through investment in stock index funds which own all stocks in a particular market or market segment. In total, FPPA estimates a loss of approximately \$3.7 million or less than 0.16% of FPPA's total assets of \$2.32 billion. This loss will not impair FPPA's continuing ability to pay benefits guaranteed to defined benefit plan members.

Even within FPPA's 457 deferred compensation plan and the defined contribution (money purchase) plans administered by FPPA, investment in individual stocks is not an option. Participants choose from a menu of mutual funds, each of which is diversified across many individual stocks, bonds and other instruments. Moreover, FPPA emphasizes to participants in these plans the need to diversify further across different funds representing the different asset classes.

The lesson in the Enron scandal is a simple one. Prudent diversification in the investment of retirement plan funds is crucial to reducing investment risk. This lesson is one which FPPA has institutionalized through the policies and procedures governing the investment of FPPA funds. **FPPA**

FPPA is pleased to announce that effective January 1, 2002, on-duty accidental death and dismemberment benefits have increased from \$10,000 to \$20,000 for all volunteer firefighters in the state of Colorado.

As you may know, the State of Colorado purchases a policy for volunteer firefighters, and FPPA contracts annually with the provider. After requesting an experience study this year, FPPA asked Volunteer Firefighters Insurance Service (VFIS) to increase the benefits, and they immediately agreed. **FPPA**

**For more information on coverage or to report a claim, contact:
Volunteer Firefighters Insurance Service of Colorado at (800) 783-3844
11990 Grant Street #420, Northglenn CO 80233**

Investment Update

*A Lesson
In The Importance
Of Portfolio
Diversification*



Volunteer Firefighters Increased Benefit



Social Security Exclusion Update



As we have previously reported, FPPA has been a leader in opposing mandatory federal social security coverage for public employees. There has been a long history of exclusion of these employees from the federal system; and benefit systems, such as FPPA, have been specifically designed to better meet the needs of public employees, such as firefighters and police officers. Required inclusion in the Social Security system would mean one of two things for new FPPA Members and their Employers: an increase in the total amount paid out in retirement premiums or a reduction in the benefits received upon retirement.

FPPA received good news last fall when the President's Commission of Social Security issued its report. The possibility of mandatory Social Security was not even included in the report as a discussion item.

There is one organization in particular that continues to push hard for mandatory Social Security for newly hired state and local government workers. Surprisingly, it is an organization that FPPA may even share members with – the American Association of Retired Persons (AARP). Those FPPA members who are also members of AARP may wish to consider contacting that organization.

For more information on this issue, please visit www.retirementsecurity.org. Included under the "Impact and Positions" page are many interesting reports with regard to FPPA and other Colorado pension programs.

More good news came in December of last year. Representative E. Clay Shaw, R-Fla., in a recent Social Security reform bill (H.R. 3497) is proposing further relief for certain local and state government pension participants. His bill, among other things, would cut the government pension offset – which reduces by half a spousal Social Security benefit when he or she receives a pension from a job not covered by Social Security. You can find out more information on the current status of this bill, through the Library of Congress, at <http://thomas.loc.gov/>. (Note, for this link, do not use the "www" in your browser.)

FPPA

New Board Member Announced

FPPA Welcomes
Lyle Hesalroad
To The Board
Of Directors



Governor Bill Owens has named *Lyle Hesalroad* to the Fire and Police Pension Association Board of Directors. Lyle is a retired police captain and will be representing FPPA retirees on the Board of Directors. Lyle's term on the Board began at the March 2002 Board Meeting and will extend until September 1, 2005.

Lyle Hesalroad retired from the Denver Police Department after 37 years of service. Within his career he held the position of Commander for the following divisions; Data Bureau, Internal Affairs, Scat/Escort (SWAT), Finance and Personnel, Bureau of Laboratories as well as Districts 1 and 3. Mr. Hesalroad has also served in several executive positions with the FBI National Academy

Associates of which he is a current member.

Representation of FPPA retirees on the Board was previously held by Joseph Ortiz. Earlier this year the position became vacant as Mr. Ortiz was appointed by the Governor to head up the Colorado Department of Corrections. Fellow FPPA Board of Directors and the FPPA staff would like to extend our thanks to Mr. Ortiz for the time he served on the board and wish him well with his new responsibilities.

The FPPA Board of Directors accomplishes its business at regular meetings, held monthly at the Association's Greenwood Village offices. All meetings are open to the public. FPPA

Simple, yet sophisticated.

Fidelity Freedom Funds® can simplify retirement investing by enabling you to choose one investment option that's designed to match your target retirement date and goals for the future. This approach is not only simple — it's also a sophisticated alternative for those who don't have the time, confidence, or investment knowledge to create and manage a well-diversified portfolio on their own.

One investment choice for a lifetime.

If you're looking ahead to retirement, you simply choose the fund closest to the date you want to retire, or one that meets your risk and time horizon. Then, Fidelity investment professionals manage the portfolio and gradually adjust the asset mix to become more conservative over time.

If you're already retired, you can choose Fidelity Freedom Income Fund®, which seeks to provide current income throughout your retirement— 10, 20, 30 years or more into the future.

An alternative for anyone.

No matter what your life-style or life stage, Fidelity Freedom Funds can help you define your retirement. If you're just getting started, you may want a seasoned professional to oversee the funds as you learn by observing how they allocate and rebalance the portfolio. If you're concerned about managing a sizeable portfolio amid market ups and downs, you may want to opt for the increased peace of mind that can come with a professionally managed and diversified portfolio. If you're retired or retiring soon, you may want to choose a single solution designed to help you make the most of what you've accumulated.

How the funds work

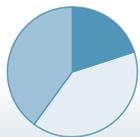
Each of the Fidelity Freedom Funds with a target time horizon—2000, 2010, 2020, 2030, and 2040 invests in a portfolio of other well-known Fidelity® mutual funds—is designed to gradually adopt a more conservative asset allocation strategy over time. Fidelity Freedom Income Fund seeks to provide high current income and potential capital appreciation. **FPPA**

Simplified Retirement Investing

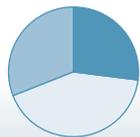
With Freedom Funds® Offered Through Fidelity®

For Members Of

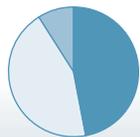
- FPPA's 457 Deferred Compensation Plan
- The Statewide Money Purchase Plan and
- Local Money Purchase Plans Affiliated With FPPA



Fidelity Freedom Income Fund**
20% Equity
40% Fixed-Income
40% Money Market



Fidelity Freedom 2000 Fund**
27% Equity
42% Fixed-Income
31% Money Market



Fidelity Freedom 2010 Fund**
47% Equity
44% Fixed-Income
9% Money Market



Fidelity Freedom 2020 Fund**
71% Equity
29% Fixed-Income



Fidelity Freedom 2030 Fund**
83% Equity
17% Fixed-Income



Fidelity Freedom 2040 Fund**
90% Equity
10% Fixed-Income

■ Equity Funds (stocks) ■ Fixed-Income Funds (bonds) ■ Money Market Funds (short-term investments)

*The percentages provided are targets as of September 30, 2001. Approximately five to ten years after the target date, the asset allocation of each fund will match the allocation of the Fidelity Freedom Income Fund. At some point after that, each fund will merge with the Fidelity Freedom Income Fund.

For more information log on to <http://netbenefits.fidelity.com> or call a Fidelity Retirement Services Specialist toll-free at (800) 343-0860, Monday through Friday, 8 A.M. to midnight, ET

For complete details about any of the mutual funds available through the plan, including fees and expenses, call or write Fidelity for free prospectuses. Read them carefully before you make your investment choices. Fidelity Freedom Funds are managed by Strategic Advisers, Inc., a subsidiary of FMR Corp. Share price and return of each Freedom Fund will vary and you may have a gain or a loss when you sell your shares. Diversification does not ensure a profit or protect against loss. It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you re-examine your investment strategy at least annually or when your situation changes.

Dental Insurance Available For Retirees

Request An Application Today!



FPPA has negotiated to offer group dental insurance available to retirees through Fortis Benefits, one of the largest and best rated insurance companies in the country.

Advantages For Our Members

We are very pleased with the benefits Fortis will be offering to our retirees. Here is just a sample of some of the benefits available.

- True freedom of choice, you may go to any dentist you want, nationwide.
- Benefits paid at the 90th percentile of 'usual & customary', one of the highest in the industry.
- 90% of dental services paid required no waiting period.
- Two plans to choose from.
- No claim forms required.
- PPO network of dentists available to save even more out-of-pocket expenses.
- Payroll deduction from your FPPA retirement check.
- No deductible for preventative services.

Percentage Of Treatments Covered And Rates

Treatment	High Plan Design	Low Plan Design
Preventive	100%	80%
Basic	80%	60%
Major	50%	30%

Person Covered	High Plan Design	Low Plan Design
Retiree	\$25.52	\$17.45
Spouse	\$25.20	\$17.21
Children (Age 0-2)	no cost	no cost
Children (Age 3 and over)	\$16.11	\$11.11

Applications Accepted Anytime

Call **FPPA** at **(303) 770-3772** in the Denver Metro Area or **(800) 332-3772** toll free nationwide and ask for Michelle Romano.

OR

Call **Fortis Benefits** with **The Benefits Company** at **(303) 226-1000 ext. 214** or toll free at **(800) 530-2211** and ask for Maryann Morrow. **FPPA**

Information About DRO

Domestic Relations Order Information Is Now Available For FPPA Members

A public employee's retirement benefit constitutes marital property that must be taken into account when property is divided in a marital dissolution in Colorado. For causes of action filed on or after January 1, 1997, (and those filed prior to January 1, 1997, if the court has not entered a final property division order concerning the parties' public employee retirement benefits), Colorado law permits a domestic relations order (DRO) to be used to divide a retirement benefit of a member of a pension plan administered by FPPA, if both parties to the dissolution can agree to a DRO. Any DRO must comply with all of Colorado's requirements for a DRO and must comply with all of the requirements of the public employee's plan.

Due to a high number of requests for more information about a Domestic Relations Order (DRO), FPPA has compiled a packet to answer some of the most frequently asked questions. To request a DRO packet, contact the FPPA Accounting Department at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. The DRO packet is also available on the FPPA web site at www.FPPAco.org. **FPPA**

Retiree Seminar - Planned for this summer.

This half day seminar is designed just for FPPA members who have retired from service. Our specially selected presenters will offer some new ideas to help retirees achieve a more rewarding retirement.

Wills, Estates, Taxes & Trusts - Planned for this fall.

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.

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**

The 2002 edition of the *FPPA Member Handbook* is available for distribution. The handbook is available to members and employers by any one of the following methods.



Visit Our Web Site

Click on the link under Publications on our web site at www.FPPAco.org. Once on the Publications page there is a highlighted link for the FPPA Member Handbook. There you will find an opportunity to either view or download and print the entire handbook. In the future this page will have a search engine dedicated to the Member Handbook for the ease of finding specific information.

Stop By Our Offices

You are always welcome to stop by our offices in the DTC area of south Denver and request a copy of the handbook. We are located just east of I-25 on the Belleview exit at 5290 DTC Parkway.

Or Give Us A Call

A copy of the Member Handbook may be mailed to you directly from our offices. Just give us a call at (303) 770-3772 in Metro Denver or (800) 332-3772 toll free nationwide. **FPPA**

Investment Returns as of March 31, 2002



As of March 31, 2002 FPPA's total assets exceeded \$2.32 billion.

Upcoming Seminars

2002 Seminars
Currently Planned

Member Handbook Available

2002
Edition

Investment Returns

Rates Of Return:
1st Quarter, One,
Five, Ten Years,
And Since Inception



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www.FPPACO.org

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FPPA Web Site News

*New Secure
Employer Section
and
A Fresh New Look*



Electronic Transfer of Contributions Now Available To Employers

FPPA currently requests that all FPPA affiliated employers who report contributions on 15 or more members should submit their contribution reports in an electronic format. Now, those contribution reports may also be transmitted directly to FPPA through the newly launched secure Employer section of the FPPA web site.

The secure Employer section is accessible by clicking the *Employer* button on the navigational bar of the FPPA web site. The Employer section contains information about how to register, become verified and enter the secure section of the site via a password. The security of this section is guaranteed to Employers by VeriSign. VeriSign is the web industry standard for authenticating web sites and securing that encrypted information sent to a web site will be free from disclosure to third parties. 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.

When preparing for the transfer of funds, Employers should also know that contribution payments may now be made to FPPA one of three ways; generating a wire transfer with your bank, setting up an ACH debit transaction to coincide with your Contribution Summary or by mailing a check to FPPA along with your Turnaround Report. For more information about contribution payment options contact the Accounting Department at FPPA.

A New Look For The Web Site

The FPPA web site has a new look. Quite simply we outgrew the last design, and it came time for an overhaul. When you log on to www.FPPAco.org, you'll notice a new splash page with a link to enter the web site. Once inside, on the first page, you will find added buttons to quickly get you to the information you are looking for. Forms and publications have become expanded with even more pieces available to be viewed, downloaded, and/or printed from the web site. **FPPA**