

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

FPPA

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
*FOR THE FISCAL YEAR ENDED
DECEMBER 31 • 2002*

FPPA Comprehensive Annual Financial Report

for fiscal year ended December 31, 2002

under the direction of the

FPPA Board of Directors

Ed Lujan, Chair

Leo J. Johnson, Vice Chair

John Bramble

Todd Bower

Lyle Hesalroad

L. Kristine Gardner

and prepared by FPPA Operations Division

Kim Collins, Chief Operations Officer

Eloy Maes, G&A Accounting Supervisor

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FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

*“It is our duty as men and women to proceed as
though the limits of our abilities do not exist.”*

— Pierre Teilhard de Chardin

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* The accompanying notes are an integral part of the financial statements.

*The Fire & Police Pension
Association of Colorado
is committed to safeguarding
retirement funds, administering
benefits fairly, and providing
superior, cost-effective service
to our members.*

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Colorado Fire and Police
Pension Association

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, reading "William Patrick Wade".

President

A handwritten signature in black ink, reading "Jeffrey R. Emmer".

Executive Director


Fire & Police Pension Association

Two DTC • 5290 DTC Parkway • Suite 100
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June 2, 2003

Board of Directors
Fire and Police Pension Association

Dear Members of the Board of Directors:

We are pleased to submit to you the annual financial report for the Fire and Police Members' Benefit Fund (the "Fund"), for the calendar year ended December 31, 2002. The Fund consists of the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Members' Statewide Money Purchase Plan Benefit Fund, and numerous separate local "old hire" and volunteer fire pension funds. In addition, for presentation purposes, the Fire and Police Members' Money Purchase Plan Benefit Fund has been included under the Fund.

The Fire and Police Pension Association was established January 1, 1980 and administers a statewide multiple employer public employee retirement system providing defined benefit plan coverage as well as death and disability coverage for police officers and firefighters throughout the State of Colorado. The Association also administers local defined benefit pension funds for police officers and firefighters hired prior to April 8, 1978 whose employers have elected to affiliate with the Association; for volunteer fire defined benefit plans; and for local money purchase (defined contribution) pension plans. Starting January 1, 1995, the Association began offering membership in the Statewide Money Purchase Plan. There were 161 employers participating in the Statewide Defined Benefit Plan, 35 employers with employees covered by the Statewide Money Purchase Plan, 352 employers covered by the Statewide Death and Disability Plan, 57 affiliated local defined benefit plans, 4 affiliated local money purchase plans, and 162 affiliated volunteer fire pension plans as of December 31, 2002.

The annual report for the calendar year 2002 consists of six sections: an introductory section which contains a transmittal letter along with general information about the Association; a financial section which contains the opinion of the Association's certified public accountants, the financial statements, footnotes and supplementary data; an investment section which contains a review of investment policies, holdings and activity for the year; an actuarial section which contains a summary of the results of the actuarial valuations and other related data; a statistical section which contains information on state funding of local pension plans (old hire) and the Statewide Death and Disability Plan; and a section containing an overview of other programs offered to members by FPPA, including FPPA's Section 457 Deferred Compensation Plan. Also, in 2002 we implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This required the Plan's management to prepare a Management Discussion and Analysis (MD&A) document. The MD&A provides additional information designed to make the financial statements more user friendly.

Additionally, graphs and charts of statistical data may be found throughout the report.

Financial Highlights

General Economic Conditions

The economic recovery that began in late 2001 continued into 2002 on the strength of consumer spending, resulting in modest economic growth for the year. Economic growth varied from strong to weak quarter-by-quarter leading to speculation about a "double dip" recession. Although low interest rates and strong housing markets bolstered consumer spending, ongoing concerns about corporate governance and geopolitical risks reduced investors' confidence. Businesses also curtailed spending and hiring activity during the year due to uncertainty surrounding the prospects for economic recovery.

Although the economy showed signs of improvement throughout 2002, the uncertain nature of the recovery led the Federal Reserve to continue its accommodative monetary policy. The Fed cut interest rates 50 basis points to a 41-year low of 1.25% at its November meeting. The cut followed eleven rate cuts in 2001, leaving little room for easing through additional rate cuts.

Gross domestic product, the broadest measure of the U.S. economy, grew at 2.4% for the year. GDP grew at a robust annual rate of 5.0% for the first quarter of 2002 but fell to a 1.3% annual growth rate in the second quarter as consumer spending and residential investment slowed and businesses liquidated inventories. The third quarter again reflected strong economic activity with GDP growth at a 4.0% annual rate, largely on the strength of consumer spend-

ing on durable goods. The economy again slowed in the fourth quarter with growth at 1.4%. Job losses increased during the year, resulting in an unemployment rate of 6.0% at the end of 2002, up from 5.8% at the end of 2001. Inflationary pressure was modest in 2002, increasing to 2.4% compared to 2001's rate of 1.6%.

The U.S. stock market finished off its first three-year losing streak since World War II. Despite strong gains in the fourth quarter of 2002, most major equity indices were down for the year, posting back-to-back double-digit losses. The Russell 3000 Stock Index, a broad measure of overall U.S. stock market performance, was down 21.54% in 2002, compared to a loss of 11.46% in 2001. The S&P 500 Stock Index, which includes larger company stocks, fell 22.09% in 2002 following a decline of 11.88% in 2001. Smaller companies, as represented by the Russell 2000 Stock Index, posted a return of -20.48% in 2002 coming off a positive 2.49% return in 2001. The technology heavy NASDAQ Index posted a loss of 31.13%, following a decline of 20.13% in 2001. Domestic bonds continued to benefit from low interest rates and from investors' flight to safety. For the third year in a row, the U.S. bond market provided positive returns, with the Lehman Brothers Aggregate Bond Index returning 10.25% in 2002, compared to 8.44% in 2001.

Performance in international equity markets mirrored the U.S. stock market in the fourth quarter and for the year. In the developed equity markets, only Austria and New Zealand ended the year with positive returns. The MSCI Europe Index posted a loss of -18.38% in 2002 versus -19.90% in 2001. The MSCI Pacific Basin Index posted a negative return for the third year in a row, finishing the year down 9.29% compared to -25.40% in 2001. Emerging markets fared better than developed markets, finishing the year down -6.00% compared to -2.37% in 2001. Non-U.S. bonds outperformed the U.S. market in 2002, with a return of 19.49% versus a return of -.99% in 2001.

In the currency markets, the U.S. dollar weakened against most major currencies. The dollar fell 10.3% against the yen to 118.67 yen per dollar from 131.06. The dollar fell 17.8% against the euro, closing at 0.95 euros per dollar from 1.12. Against the British pound, the dollar fell 10.6% to 0.62 pounds per dollar from 0.69.

Funding Status

Each pension plan administered by FPPA must be separately funded. Assets from one plan cannot be used to pay the benefit obligations of any other plan. Therefore, the funding status of each individual plan must be judged separately.

For the Statewide Defined Benefit Plan, assets continue to exceed the pension benefit obligation as calculated according to GASB 25. There are no unfunded current liabilities under this plan in accordance with state statutory requirements.

Revenues

Revenues are used to fund the current and future retirement benefits established by the state legislature and local boards which are paid to retirees and their survivors by the Association. The primary sources of revenue include contributions from active members, employers and the state; new affiliations; and investment income. Revenues for the year 2002 amounted to (\$75.1) million, a decrease of \$48.9 million or (187.0%) from 2001.

The net revenues for 2002 were comprised of \$44.1 million in member contributions, down 1.77% from \$44.9 million in 2001. Employer contributions totaled \$55.7 million in 2002, up 5.1% from \$53.0 million in 2001. The State of Colorado contributed \$28.1 million to plans affiliated with the Association in 2002. The Association's investment losses for 2002 totaled (\$204.2) million. Eleven volunteer fire pension plans elected to affiliate with the Association during 2002, bringing in \$.4 million in assets.

Active membership is distributed as follows: 3,348 new hire members, up 5.2% from 3,181 in 2001; 955 exempt new hire members, up 7.3% from 890 the prior year; 801 old hire members, down (16.9%) from 964 in 2001; 218 money purchase plan members, up 2.3% from 213 last year; 4,294 volunteer fire members, up 13.1% from 3,798; and 4,756 members covered for death and disability only. The members listed above are comprised of 39.2% police officers and 60.8% firefighters.

The net investment losses for 2002 amounted to (\$204.2) million. Interest, dividends and other investment income increased by \$2.6 million over the prior year. Realized and unrealized gains on investment transactions decreased \$40.3 million for 2002 over those in 2001. The total market value of the investment portfolio decreased to \$2.097 billion, or a decrease of \$231.2 million from \$2.328 billion at the end of 2001.

An explanation of FPPA's investment policies and asset allocation strategy, as well as the portfolio's composition are included in the investment section of this report. Additionally, a review of investment activity and performance for 2002 is included in that section.

Expenses

The primary expenses of the Association include the payment of benefits to retirees and beneficiaries, the refund of contributions to former members, and the cost of administering the numerous pension plans. Expenses for the year 2002 totaled \$156.0 million, which is an increase of \$10.1 million or 6.9% over 2001.

Benefit payments to retirees and beneficiaries totaled \$133.9 million in 2002, up 7.2% or \$8.9 million from the prior year. The increase in benefit payments was due primarily to an increase in the number of retirees and beneficiaries receiving benefits, and a cost of living increase for the Statewide Defined Benefit Plan of 2.7%. Other increases

ranged from 0% to 6.9% among the various local old hire plans, with average increases of 4.6% for those departments that granted increases. The number of retirees receiving benefit payments increased to 6,255 as of December 31, 2002, up 7.4% from 5,824 at the end of 2001.

Administration expenses and investment fees of the fund increased to \$8.9 million in 2002 from \$8.1 million in 2001. This represented an increase of 9.4% in actual dollars, and .43% and .35% in 2002 and 2001, respectively, when expressed as a percentage of total assets. Investment fees make up 63% of total expenses. Investment management fees are asset based and increase as the size of the fund increases.

Other Programs and Services

During 2002, FPPA's Benefits Division continued its communication programs with members, employers and retirees. Approximately 299 presentations were made to members from 120 fire and police departments throughout the state about their death and disability benefits, retirement benefits, and other services provided by the Association. Much of this program is conducted on-site, with staff visiting fire stations and attending police roll calls, to assure that members have face-to-face meetings with FPPA staff on a regular basis. Thanks to exceptionally good response, we have continued the use of the computer program designed to assist members in planning for their future retirement needs, with the dollar projections shown in both future and current values, as well as being shown as a percentage of salary.

Year 2002 also marks FPPA's fifteenth year of offering various seminars to help members plan for retirement, both financially and psychologically. FPPA hosted two member seminars. Topics included wills, estates, taxes and trust—practical information on developing financial strategies while planning for the future; and a pre-retirement seminar for members nearing retirement. We also hosted a retiree seminar entitled "Make the Right Financial Moves in Retirement" which focused on aligning your investments for retirement income and asset allocation strategies. In addition, FPPA staff held three regional employer seminars focusing on the recent major changes to the Statewide Death & Disability plan and how these changes impact employers. The seminars continue to get excellent reviews by the attendees. FPPA strongly recommends these no-cost seminars to members, retirees and employers.

FPPA's Section 457 Deferred Compensation program was developed in 1990 in response to member requests. By the end of 2002, there were 68 employers participating in the plan. In 2001, FPPA expanded and enhanced the 457 Plan by offering additional services and investment options. The program provides tax-deferred savings for the individuals to save for their retirement needs and, with low management fees, more of the dollars invested are returned for the member's use in retirement.

FPPA has offered its money management services since 1990 to departments that have provided money purchase plans to their members. FPPA currently has four departments affiliated for these services. In addition, in April 1993, the Colorado General Assembly authorized FPPA to create a new Statewide Money Purchase Plan. The plan took effect on January 1, 1995, and since that time, 53 departments have opted completely, or in part, from the Statewide Defined Benefit Plan into the Statewide Money Purchase Plan.

Since legislative approval in 1986, FPPA has offered the advantages of its money management services to volunteer fire department pension funds who choose to affiliate. At the end of 2002, there were a total of 162 volunteer plans participating. Plans participating in FPPA are provided with an actuarial study every two years as well as an annual audit of their pension funds. FPPA also administers the state volunteer pension fund matching funds program for all volunteer departments statewide, regardless of affiliation, and serves as an information resource to assist departments with questions relating to their pension plans.

Legislative Changes

Senate Bill 026

This bill will accomplish the following:

- Creation of a "permanent occupational disability" 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
- Creation of a "temporary occupational disability" 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 max-

imum. If a defined contribution plan's 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 plan's normal contribution amount is above 16%, the employer will make up the difference.)
- Family option on total and permanent occupational disability to specifically include adult dependent incapacitated children
- Determination of disability can include consideration of any relevant evidence by Board
- 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
- Offsets for local SRA's for total and permanent occupational disability benefits and survivor benefits
- Permanent occupational disability benefit payment options would be the same as total disability benefit payment options
- Statute of Limitations for applying for a disability benefit would be 180 days from the last day on the payroll
- Members can waive their right to reinstatement during application process
- Employers submit statement of reason for service termination with application
- Employers submit statement of additional basis for disability with application
- No earned income offset for total disability
- Five year window for upgrade from occupational disability to total disability begins from date of disablement (last day on payroll)
- Definition of "assigned duties" tightened
- 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.
- 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.

House Bill 1032

This bill will accomplish the following:

- Allow purchase of service credit for any public service
- Allow purchase of service credit for private sector service of up to five years, after five years of service credit are earned
- Ease the process for granting service credit for funds rolled over from other eligible retirement plans

House Bill 1036

This bill will accomplish the following:

- Simplifies method of calculating state matching contribution without changing actual contribution for local volunteer plans
- Increases the minimum state contribution to \$1000 for districts contributing 1/2 mill.

Accounting System and Internal Control

The financial statements included in this report, along with all other information provided, are the responsibility of the management of the Fire and Police Pension Association. The financial statements have been prepared in accordance with generally accepted accounting principles and reporting as required by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

Revenues are recognized when they are earned and become measurable, and expenses recorded as liabilities as they are incurred. Investments are stated at current market value, and trades booked on a trade-dated rather than settlement-dated basis. Investments in limited partnerships and pooled funds are carried at values adjusted to recognize the Association's share of net income or loss in the period reported. Fixed assets are capitalized at cost and depreciated over their useful lives. Contributions to the plans are based on principles of level cost funding, and are developed using the entry age normal cost method with current service financed on a current basis and prior service amortized over a 10 to 40 year period (depending on the type of plan). In management's opinion, the financial statements present fairly the financial position of the FPPA at December 31, 2002 and the result of its operations for the period then ended.

The financial statement format of the Comprehensive Annual Financial Report, as well as data presented in the Actuarial Section, meet the requirements of GASB 25. While each of the plans administered by FPPA have been audited as a separate fund and identified separately in the auditors opinion, they are combined on the financial statements for presentation purposes. We have also chosen to include the assets and liabilities of the IRC 457 Deferred Compensation Plan, an expendable trust administered by FPPA.

The management of the Fire and Police Pension Association is also responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with generally accepted accounting principles. This system includes the appropriate segregation of duties and responsibilities, sound practices in the performance of those duties, capable personnel, and the organizational structure itself. We believe that the internal controls in effect during the year ended December 31, 2002 adequately safeguarded assets and provided reasonable assurance regarding the proper recording of financial transactions.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fire and Police Pension Association for its comprehensive annual financial report for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

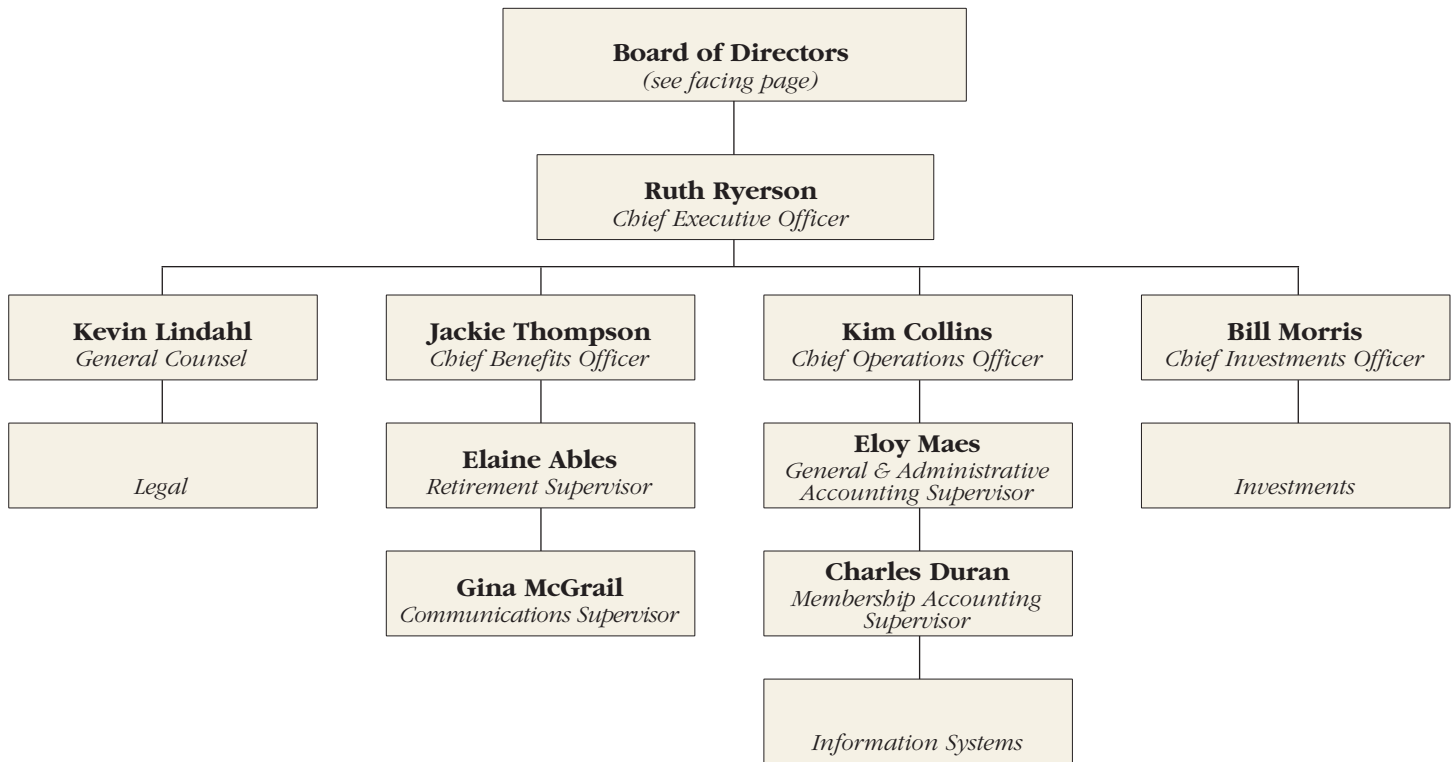
This annual report of the Fire and Police Pension Association was prepared through the combined efforts of the FPPA staff under the leadership of the Board of Directors. It is intended to provide complete and reliable information which may be used as a basis for making management decisions and as a means for determining compliance with state statutes.

This report is being mailed to the State Auditor, the Joint Budget Committee, the State Pension Reform Commission, all participating employers, and other interested parties.

Respectfully submitted,

Ruth Ryerson
Chief Executive Officer

FPPA Administrative Organizational Chart



By state statute, the management of the Members' Benefit Fund is vested in the Board of Directors of the Fire and Police Pension Association of Colorado. The nine members of the Board of Directors serve four-year staggered terms. Appointed by the Governor and confirmed by the Senate, the FPPA Board of Directors is composed of:

Two members representing Colorado municipal employers;

One member representing full-time paid firefighters;

One member representing full-time paid police officers;

One member who is a retired police officer and who, upon completion of his term, is replaced by a retired firefighter. Thereafter, the appointment of retired officers alternates between a retired police officer and a retired firefighter for each successive four year term;

One member who is either a member of the Board of Directors of a special district, or is the full-time paid professional manager of a special district to represent special districts having volunteer firefighters;

One member from the state's financial or business community with experience in investments;

One member from the state's financial or business community with experience in insurance disability claims; and

One member of the state's financial or business community experienced in personnel or corporate administration in corporations of over 200 employees.

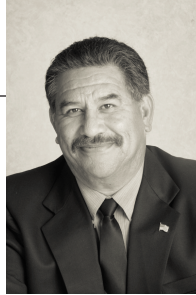
Specific duties of the Board of Directors include investing and managing the FPPA benefit fund, disbursing money from that fund, setting required contribution levels, and determining the award of disability and survivor benefits. The Board of Directors also appoints a Chief Executive Officer who is FPPA's chief administrative officer. The Chief Executive Officer appoints FPPA staff who are responsible for the day-to-day administration of the state firefighter and police pension funds.

The FPPA Board of Directors accomplishes its business at regular meetings, held monthly at the Association's Greenwood Village offices. In accordance with state law, each meeting's proposed agenda items are posted in the lobby directory of FPPA's offices at least 24 hours in advance. All meetings begin between 8:30 and 10 am and are open to the public.

FPPA

Board of Directors

as of December 31, 2002*



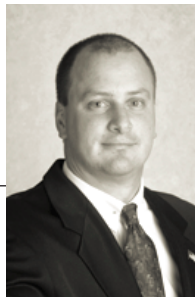
Ed Lujan
Chair of the Board
Member since 10/20/88
Captain - Denver Police Department
Current term expires 8/31/04



Leo J. Johnson
Vice Chair of the Board
Member since 6/16/00
Trustee, West Metro Fire Rescue District
Current term expires 8/31/03



John Bramble
Member since 6/16/00
City Manager - Brighton
Current term expires 8/31/03



Todd Bower
Member since 9/1/01
Lieutenant - Denver Fire Department
Current term expires 8/31/05



Lyle Hesalroad
Member since 2/11/02
Retired Police Captain - Denver Police Department
Current term expires 8/31/05



L. Kristine Gardner
Member since 10/20/88
Senior VP - Alpine Banks of Colorado, Glenwood Springs
Current term expires 8/31/04

*Vacant Board of Directors positions: one municipal employer representative, and two private citizens.

Professional Consultants

Actuarial

Buck Consultants

Auditor

BONDI & Co., LLP

Board Medical Advisor

Dr. Roderic Gottula

Investment Consultant

Pension Consulting Alliance

Legal Counsel

Gorsuch, Kirgis, L. L. C.

Master Custodian/Trustee

State Street Bank & Trust

Investment Managers

Domestic Equities & Pooled Investments

Brandywine Asset Management Inc.
State Street Global Advisors
Thomson, Horstmann & Bryant, Inc.

Domestic Fixed Income

Bradford & Marzec, Inc.
Pacific Investment Management Co.
Trust Company of the West
Western Asset Management Co.

International Equities

Baillie Gifford Overseas, Ltd.
Jarislowsky Fraser Ltd.
Morgan Stanley Asset Management
Putnam Advisory Company, Inc.
Rexiter Capital Management

Real Estate

Apollo Real Estate
Blackstone Real Estate Partners
Hancock Timber Fund
JP Morgan Fleming Asset Management
PM Realty Advisors, Inc.
Prudential Asset Management Company
RREEF Funds

Venture Capital & Alternative Investments

ABS Capital Partners
Apollo Investment Fund
Arch Venture Fund
Aurora Equity Partners
Blackstone Partners
Boston Ventures, LP
Candover Partners LTD
Centennial Funds
Charles River Ventures
Chisolm Partners
Coller International Partners
Columbine Venture Management, Inc.
CVC European
Doughty Hanson & Company
First Reserve Fund
Glenwood Ventures
Hancock Falcon Ventures
Hancock International Venture Fund
Harvest Partners
Heritage Fund
Larimer Venture
Lumina Ventures
Matlin Patterson Global Opportunities
Nautic Partners
Nordic Capital
Oxford Bioscience
Pacific Corporate Group
SKM Equity Fund
Sprout Capital L.P.
TCW Special Credits Fund
TH Lee Equity Fund
TPG Partners
Vestar Capital Partners
Willis Stein & Partners, LP

The Fire and Police Members' Benefit Fund (the Common Fund) is established pursuant to Title 31, Article 31, Part 3 of the Colorado Revised Statutes, as amended. As trustee of the Common Fund, the Fire and Police Pension Association of Colorado (FPPA) collects, invests, administers and disburses monies on behalf of firefighters and police officers throughout the State of Colorado for:

The Statewide Defined Benefit Plan, a retirement plan for firefighter and police employees hired in the State of Colorado on or after April 8, 1978;

The Statewide Death and Disability Plan; and

The Statewide Money Purchase Plan, which began operations as of January 1, 1995.

Affiliated plans of the Common Fund include:

money purchase pension plans, in the State of Colorado who have chosen to affiliate with FPPA;

local defined benefit pension plans for firefighter and police employees in the State of Colorado hired before April 8, 1978 (old hires) whose employers have chosen to affiliate with FPPA; and

volunteer firefighter defined benefit pension plans in the State of Colorado who have chosen to affiliate with FPPA.

Each of the pension plans mentioned above has their assets pooled for investment purposes in the FPPA Common Fund. All transactions that are specific to each plan (contributions, retirement benefit payments, refunds, etc.) are accounted for by plan. The old hire, money purchase and volunteer plans that have chosen to affiliate with FPPA for investment and administrative purposes are still governed by their local plan document and local pension board, and, (except for the money purchase plans), each has a separate actuarial valuation done every two years. Only the Statewide Defined Benefit Pension Plan, the Statewide Money Purchase Plan and the Statewide Death and Disability Plan are governed by the FPPA Board of Directors.

The following is a brief summary of the basic provisions of the Statewide Defined Benefit Pension Plan and the Statewide Death and Disability Plan and is provided for informational purposes only. Participants should refer to the Colorado Revised Statutes, as amended, for more complete information.

Statewide Defined Benefit Plan

The plan is a defined benefit pension plan covering substantially all full-time employees of participating firefighter or police departments in Colorado hired on or after April 8, 1978 (new hires), provided that they are not already covered by an exempt or withdrawn local pension plan. The plan became effective January 1, 1980.

Employees hired before April 8, 1978 (old hires) may be covered by the plan provided that their employer is affiliated with the Association. An employer has the opportunity to affiliate on January 1 of each year. Old hire employees have 60 days from the date of affiliation by their employer to elect whether to adopt the plan's schedule of benefits or to remain with the employer's old hire plan's previous schedule. A requirement of affiliation is that the affiliating employer transfers assets to the plan equivalent to the total accrued actuarial liability of employees who transfer to the plan.

Employers had the option to elect to withdraw from the plan until a change in state statute was passed which permitted no further withdrawals after January 1, 1988.

Pension Benefits

On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that the retirement age should not be less than age 55 or more than age 60. The Trustees subsequently approved an age of 55 retirement age. Any member may be retired from further service and shall be eligible for a normal retirement pension at any time after attaining the age of 55 years, if the member has at least 25 years of service.

The annual normal pension is 2% per year for each year of service up to ten years, then 2.5% per year for each year thereafter. This benefit is based on the average of the member's highest three years' base salary. Benefits paid to retired members are evaluated and redetermined on October 1 of each year. The amount of increase is based on the Board's discretion and can range from 0–3%. In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement Account" each year beginning January 1, 1988, which are attributable to contributions in excess of the actuarially determined pension cost for the plan's defined benefits, plus any earnings or losses thereon. Participants do not vest in amounts credited to their account until retirement and the plan may use such reserve amounts to reduce pension costs in the event such costs exceed contributions.

Once a member is eligible for a normal retirement, instead of terminating employment and receiving normal retirement benefits, a member may choose to enter the Deferred Retirement Option Plan (DROP). Once entered into the DROP a member continues to be employed (as well as continues to contribute their 8% member contribution) for a specified period of time not to exceed five years. A written agreement between the member and the employer is required.

A member is eligible for an early retirement benefit after completion of 30 years of service or attainment of age 50. The early retirement benefit shall be the normal retirement benefit reduced on an actuarially equivalent basis.

Upon termination, an employee may elect to have all contributions, together with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 years of accredited service may leave contributions with the plan and continue to be eligible for a retirement pension at age 55 equal to 2% per year for each year of service up to ten years, then 2.5% per year for each year thereafter. The benefit is based on the average of the member's highest three years' base salary.

Contributions

It is the policy of the plan that the contribution rate be established at a level that will result in all benefits being fully funded at the retirement date of all new hires. At the present time, both employers and employees are required by Colorado statute to contribute 8% of the employee's salary to the plan.

Interest in the Undivided Net Assets of the Common Fund

At December 31, 2002 and 2001, the plan had an interest of 17.8% and 16.6%, respectively, in the undivided net assets of the FPPA Members' Benefit Fund.

Historical Trend Information

Historical trend information designed to provide information about the plan's progress in accumulating sufficient assets to pay benefits when due is presented in the statistical section.

Statewide Death and Disability Plan

The plan is in the nature of a self-insured employee welfare benefit plan, covering full-time employees of substantially all firefighter and police departments in Colorado. Contributions to the plan are used solely for the payment of death and disability benefits.

For covered employees hired prior to January 1, 1997, the plan is funded by the State of Colorado whose contributions are established by Colorado statute. For covered employees hired on or after January 1, 1997, the plan is funded through local employer and/or member contributions. In addition, there were seven contributing employers as of December 31, 2001, who are covered by Social Security and have also elected supplementary coverage by the statewide plan.

Benefits

If a member dies prior to retirement, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary with an additional 10% of base salary if a spouse has two or more dependent children. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children.

A member who becomes disabled prior to retirement is eligible for disability benefits. The benefit is 70% of base salary for cases of total disability and 30% for cases of occupational disability, reduced by the amount of certain other benefits received. These occupational disability benefits are increased by an additional 10% of base salary if the member has a spouse and a further 10% of base salary if the member has any dependent children. Effective October 1, 2002, the occupational disability benefit was changed to a "permanent occupational disability" with a flat 50% of base salary benefit and a "temporary occupational disability with a flat 40% of base salary benefit.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot increase by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic COLA each year of 3%.

Interest in the Undivided Net Assets of the Common Fund

At December 31, 2002 and 2001, the plan had an interest of 8.7% and 9.0% respectively in the undivided net assets of the FPPA Members' Benefit Fund.

Historical Trend Information

Historical trend information designed to provide information about the plan's progress in accumulating sufficient assets to pay benefits when due is presented in the schedules in the statistical section.

The Members' Benefit Fund consists of the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Statewide Money Purchase Plan Benefit Fund, plus 57 local defined benefit funds, four local money purchase funds and 162 affiliated volunteer firefighter pension funds.

An audit is performed annually on each of the following funds:

The Members' Benefit Fund

The Statewide Defined Benefit Plan

The Statewide Death and Disability Plan

Statewide Money Purchase Plan Benefit Fund

The Money Purchase Plan Benefit Fund.

General information about each statewide fund can be found in the Introductory Section of this annual report. A listing of employers participating in each plan can be found in the Statistical Section of this report. All data in this annual report, other than the audit reports which follow, has not been audited by FPPA's outside auditors.

The accompanying notes are an integral part of the financial statements.



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**Board of Directors
Fire and Police Pension Association**

Independent Auditors' Report

We have audited the accompanying financial statements, consisting of the Affiliated Local Plans Fund, the Statewide Death & Disability Fund, the Statewide Defined Benefit Fund, the Members' Statewide Money Purchase Fund, the Members' Money Purchase Fund, and the IRC 457 Plan of the Fire and Police Pension Association of Colorado, (FPPA), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the management of FPPA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, FPPA implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FPPA as of December 31, 2002, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information and management's discussion and analysis included in the annual report are not a required part of the basic financial statements but are supplementary information required by Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

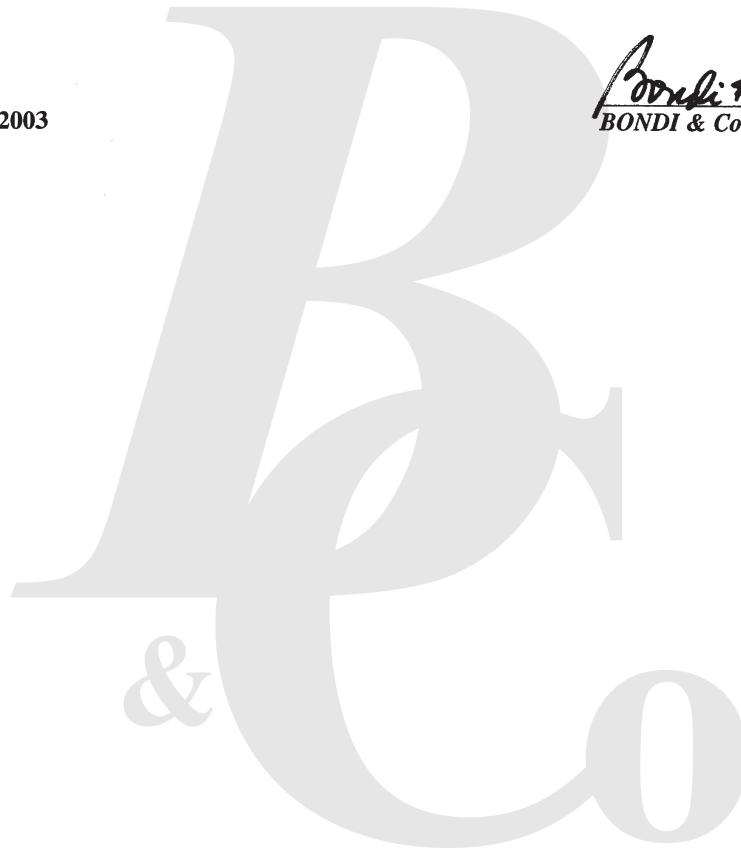


(continued on next page)

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules for the financial section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of FPPA. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

March 7, 2003


BONDI & Co. LLP



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the financial activities of the Fire and Police Pension Association for the year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in the Letter of Transmittal beginning on page 7 of this report.

FPPA administers the Fire and Police Members' Benefit Fund. The Fund consists of the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Members' Statewide Money Purchase Plan, and numerous separate Local "old hire" and Volunteer Fire pension funds.

Financial Highlights

Plan Net Assets for all funds administered by FPPA decreased (\$232,373,436) during the calendar year 2002. The decrease was primarily due to the adverse world equity market conditions.

Affiliated Local Plans	(\$194,257,506)
Statewide Death & Disability	(25,053,858)
Statewide Defined Benefit	(11,151,708)
Members' Money Purchase	(900,548)
Members' Statewide Money Purchase	129,908
IRC 457 Expendable Trust	(1,139,724)
Total Decrease in Plan Net Assets	(\$232,373,436)

For the year ended December 31, 2002, the rate of return was a negative (8.6) percent, which was more than the negative (6.3) percent for the year ended December 31, 2001. The U.S. economy slipped into a recession in March, ending ten years of economic expansion, the longest on record. The net investment loss for all of the funds including the IRC 457 Expendable Trust fund administered by FPPA for the year ended December 31, 2002 was (\$207,366,299).

Net Investment Loss

Affiliated Local Plans	(\$148,350,647)
Statewide Death & Disability	(18,843,031)
Statewide Defined Benefit	(34,688,515)
Members' Money Purchase	(1,791,817)
Members' Statewide Money Purchase	(502,761)
IRC 457 Expendable Trust	(3,189,528)
Total Net Investment Loss	(\$207,366,299)

The members of the Association's Board of Directors serve as the fiduciaries for the funds and are responsible for the investment of the funds, or the selection of investment options available to money purchase plan members. As fiduciaries, the FPPA Board members are required to discharge their duties in the interest of fund participants and beneficiaries.

As of December 31, 2002 and 2001, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2002	2001
Statewide Death & Disability	98.8%	113.8%
Statewide Defined Benefit	127.0%	132.8%

The Affiliated Local Plans are not listed due to data to calculate a gain/loss analysis on all Local Plans was not available as of the 1/1/01 actuarial valuations.

FPPA's funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The higher the funding ratio indicates that the plan is better funded.

The Members' Money Purchase Plan saw its total contributions increase from \$922,103 to \$1,034,241. There was an increase of \$112,138 due to the employer match program and an increase in the number of members participating in the plan.

The Statewide Money Purchase Plan contributions increased from \$705,987 to \$759,158. There was an increase of \$53,171 due to the employer match program and an increase in the number of members participating in the plan.

The IRC 457 Expendable Trust decreased from \$16,163,786 to \$15,024,062. This was caused mainly by a (\$3,189,528) decrease in total investment income.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to FPPA's Financial Statements. The Financial Section for FPPA is comprised of four components: (1) Fund Financial Statements, (2) notes to the Financial Statements, (3) required supplementary information, and (4) Other supplementary Schedules.

Fund Financial Statements

There are two Financial Statements presented for the fiduciary funds. The Statement of Plan Net Assets as of December 31, 2002 indicates the net assets available to pay future pension benefits and reflects a snapshot at a particular point in time. The Statement of Changes in Plan Assets for the year ended December 31, 2002 provides a view of current year's additions and deductions to the individual funds.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-42 of this report.

Required Supplementary Information

The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer and State Contributions. Related notes regarding historical trend information and significant factors affecting trends in actuarial information for the Statewide Death and Disability Plan, Statewide Defined Benefit Plan, and Affiliated Local Plans is also provided.

Other Supplementary Schedules

The additional schedules (Net Assets by Participant, Payments to Consultants, Schedule of Administration and Investment Expense) are presented for the purpose of additional analysis.

Comparative Financial Statements

Defined Benefit Pension Plans.

The three defined benefit plans provide retirement, survivor and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments.

Defined Benefit Plan Net Assets

	12/31/2002	12/31/2001	% Change
Assets			
Cash and Cash Equivalents	\$ 149,421,770	\$ 101,398,906	47.4%
Securities Lending Pool	129,655,436	110,678,621	17.1%
Total Investments	2,036,370,994	2,321,067,436	(12.3)%
Receivables	90,955,281	30,933,359	194.0%
Other Assets	1,709,220	1,843,388	(7.3)%
Total Assets	\$2,408,112,701	\$2,565,921,710	(6.2)%
Liabilities			
Securities Lending Obligations	\$129,655,436	\$110,678,621	17.1%
Investment and Other Liabilities	195,490,411	141,813,163	37.9%
Total Liabilities	\$325,145,847	\$252,491,784	28.8%
Net Assets Available for Benefits	\$2,082,966,854	\$2,313,429,926	(10.0)%

Member's Local Money Purchase Plan

	12/31/2002	12/31/2001	% Change
Assets			
Total Investments	\$10,711,473	\$11,648,586	(8.0)%
Receivables	39,380	2,815	1298.9%
Total Assets	10,750,853	11,651,401	(7.7)%
Liabilities			
Total Liabilities	0	0	N/A
Net Assets Available for Benefits	\$10,750,853	\$11,651,401	(7.7)%

Members' Statewide Money Purchase Plan

	12/31/2002	12/31/2001	% Change
Assets			
Total Investments	\$3,476,153	\$3,360,614	3.4%
Receivables	40,622	26,253	54.7%
Total Assets	3,516,775	3,386,867	3.8%
Liabilities			
Total Liabilities	0	0	N/A
Net Assets Available for Benefits	\$3,516,775	\$3,386,867	3.8%

IRC 457 Expendable Trust Plan

	12/31/2002	12/31/2001	% Change
Assets			
Total Investments	\$15,024,062	\$16,163,786	(7.1)%
Total Assets	15,024,062	16,163,786	(7.1)%
Total Liabilities			
	0	0	N/A
Net Assets Available for Benefits	\$15,024,062	\$16,163,786	(7.1)%

Total Defined Benefit Plan Changes In Net Assets

	12/31/2002	12/31/2001	% Change
Additions			
Employer contributions	\$54,795,940	\$52,216,275	4.9%
Member contributions	43,178,759	44,032,400	(1.9)%
Affiliations	364,746	10,679,999	(96.6)%
State contributions	28,060,171	27,432,188	2.3%
Investment Income/Loss	(201,882,193)	(160,670,814)	25.6%
Securities Lending Income	879,141	1,091,148	(19.4)%
Total Additions	(\$74,603,436)	(\$25,218,804)	195.8%
Deductions			
	12/31/2002	12/31/2001	% Change
Benefit payments	\$133,970,296	\$124,936,784	7.2%
Refund of contributions	18,392,500	17,091,105	7.6%
Administrative costs	3,496,840	3,168,290	10.4%
Total Deductions	155,859,636	145,196,179	7.3%
Change in Net Assets Available for Pension Benefits	(\$230,463,072)	(\$170,414,983)	35.2%

Total Members' Local Money Purchase Plan Changes In Net Assets

	12/31/2002	12/31/2001	% Change
Additions			
Employer contributions	\$515,685	\$461,980	11.6%
Member contributions	518,556	460,123	12.7%
Investment Income/Loss	(1,791,817)	(2,150,773)	16.7%
Total Additions	(\$757,576)	(\$1,228,670)	38.3%
Deductions			
Benefit payments	\$0	\$65,179	(100.0)%
Refund of contributions	142,972	463,821	(69.2)%
Total Deductions	142,972	529,000	(73.0)%
Change in Net Assets Available for Pension Benefits	(\$900,548)	(\$1,757,670)	48.8%

Total Members' Statewide Money Purchase Plan Changes In Net Assets

	12/31/2002	12/31/2001	% Change
Additions			
Employer contributions	\$375,247	\$325,219	15.4%
Member contributions	383,911	380,768	.8%
Investment Income/Loss	(502,761)	(427,560)	17.6%
Total Additions	\$256,397	\$278,427	(7.9)%
Deductions			
Benefit payments	\$0	\$1,593	(100.0)%
Refund of contributions	126,489	258,463	(51.1)%
Total Deductions	126,489	260,056	(51.4)%
Change in Net Assets Available for Pension Benefits	\$129,908	\$18,371	607.1%

Total IRC 457 Expendable Trust Plan Changes In Net Assets

	12/31/2002	12/31/2001	% Change
Additions			
Employer contributions	\$0	\$0	N/A
Member contributions	3,211,409	2,566,749	25.1%
Investment Income/Loss	(3,189,528)	(3,186,898)	.1%
Total Additions	\$21,881	(\$620,149)	(103.5)%
Deductions			
Benefit payments	\$1,161,605	\$637,993	82.1%
Total Deductions	1,161,605	637,993	82.1%
Change in Net Assets Available for Pension Benefits	(\$1,139,724)	(\$1,258,142)	9.4%

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS — December 31, 2002

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	STATEWIDE DEFINED BENEFIT
ASSETS			
Cash and Cash Equivalents (Note 4)	<u>\$109,376,736</u>	<u>\$13,149,116</u>	<u>\$26,895,918</u>
Investments (Note 4)			
U.S. Government Agency Obligations	133,868,857	16,093,524	32,918,572
Corporate Bonds	305,356,227	36,709,492	75,087,597
Domestic Equity Securities	591,890,321	71,156,214	145,546,799
International Equity Securities	265,119,325	31,872,269	65,193,277
International Fixed Income	15,074,693	1,812,258	3,706,892
Venture Capital	94,014,879	11,302,335	23,118,413
Real Estate	85,299,265	10,254,556	20,975,229
Securities Lending Investment Pool	<u>94,907,779</u>	<u>11,409,678</u>	<u>23,337,979</u>
<i>Total Investments</i>	<u>1,585,531,346</u>	<u>190,610,326</u>	<u>389,884,758</u>
<i>Total Cash and Investments</i>	<u>1,694,908,082</u>	<u>203,759,442</u>	<u>416,780,676</u>
Receivables			
Other	31,240	3,756	7,682
Assets Sold-Pending Trades	58,613,738	7,046,460	14,413,214
Contributions		89,702	1,399,562
Accrued Interest and Dividends	<u>6,844,146</u>	<u>822,794</u>	<u>1,682,987</u>
<i>Total Receivables</i>	<u>65,489,124</u>	<u>7,962,712</u>	<u>17,503,445</u>
Properties and Equipment, at Cost, Net of Accumulated Depreciation (Note 6)			
	<u>1,169,797</u>	<u>140,631</u>	<u>287,655</u>
Other Assets			
	81,352	9,780	20,005
TOTAL ASSETS	1,761,648,355	211,872,565	434,591,781
LIABILITIES			
Payables			
Accounts, Employee and Participants Payable	950,408	114,257	233,707
For Assets Purchased-Pending Trades	142,148,572	17,088,900	34,954,567
Amounts Owed for Securities Lending Transactions (Note 4)	94,907,779	11,409,678	23,337,979
TOTAL LIABILITIES	238,006,759	28,612,835	58,526,253
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
<i>(A Schedule of Funding Progress for each Plan is presented on Page 43)</i>			
	\$1,523,641,596	\$183,259,730	\$376,065,528

The accompanying notes are an integral part of these financial statements.

Financial Section

GENERAL-PURPOSE FINANCIAL STATEMENTS

TOTAL DEFINED BENEFIT	MEMBERS' MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	IRC 457 EXPENDABLE TRUST	COMBINED TOTALS 2002	COMBINED TOTALS 2001
<u>\$149,421,770</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$149,421,770</u>	<u>\$101,398,906</u>
182,880,953	536,276	211,247	1,360,193	184,988,669	311,547,924
417,153,316	1,523,212	320,536	1,188,278	420,185,342	350,468,732
808,593,334	8,642,817	2,927,498	12,340,582	832,504,231	906,468,743
362,184,871	9,168	16,872	135,009	362,345,920	499,156,505
20,593,843				20,593,843	7,341,872
128,435,627				128,435,627	128,444,273
116,529,050				116,529,050	148,812,373
<u>129,655,436</u>				<u>129,655,436</u>	<u>110,678,621</u>
<u>2,166,026,430</u>	<u>10,711,473</u>	<u>3,476,153</u>	<u>15,024,062</u>	<u>2,195,238,118</u>	<u>2,462,919,043</u>
<u>2,315,448,200</u>	<u>10,711,473</u>	<u>3,476,153</u>	<u>15,024,062</u>	<u>2,344,659,888</u>	<u>2,564,317,949</u>
42,678				42,678	
80,073,412				80,073,412	18,710,063
1,489,264	39,380	40,622		1,569,266	1,083,967
<u>9,349,927</u>				<u>9,349,927</u>	<u>11,168,397</u>
<u>90,955,281</u>	<u>39,380</u>	<u>40,622</u>		<u>91,035,283</u>	<u>30,962,427</u>
<u>1,598,083</u>				<u>1,598,083</u>	<u>1,728,146</u>
<i>111,137</i>				<i>111,137</i>	<i>115,242</i>
2,408,112,701	10,750,853	3,516,775	15,024,062	2,437,404,391	2,597,123,764
1,298,372				1,298,372	1,733,014
194,192,039				194,192,039	140,080,149
129,655,436				129,655,436	110,678,621
325,145,847	0	0	0	325,145,847	252,491,784
\$2,082,966,854	\$10,750,853	\$3,516,775	\$15,024,062	\$2,112,258,544	\$2,344,631,980

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS — December 31, 2002

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	STATEWIDE DEFINED BENEFIT
ADDITIONS			
Contributions (Note 3)			
Employer	\$38,794,748	\$2,796,473	\$13,204,719
Plan Member	28,589,016	972,771	13,616,972
Affiliations	364,746		
State Contributions	<u>28,060,171</u>		
<i>Total Contributions</i>	<u>95,808,681</u>	<u>3,769,244</u>	<u>26,821,691</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(196,109,041)	(24,584,479)	(46,432,382)
Interest	28,004,587	3,366,672	6,886,374
Dividends	14,310,986	1,720,446	3,519,095
Net Real Estate Investment Income	7,361,780	885,023	1,810,274
Other Income	<u>2,043,339</u>	<u>245,648</u>	<u>502,460</u>
<i>Total Investment Income (Loss)</i>	<u>(144,388,349)</u>	<u>(18,366,690)</u>	<u>(33,714,179)</u>
Less Investment Counsel	128,100	15,400	31,500
Less Investment Management Fees	3,680,546	442,470	905,052
Less Alternative Investment Legal Fees	10,583	1,272	2,602
Less Bank Fees	<u>271,948</u>	<u>32,693</u>	<u>66,873</u>
<i>Net Investment Income (Loss)</i>	<u>(148,479,526)</u>	<u>(18,858,525)</u>	<u>(34,720,206)</u>
Securities Lending			
Income	2,214,360	266,207	544,515
Borrowers Rebates	(1,377,546)	(165,606)	(338,741)
Agent Fees	<u>(193,283)</u>	<u>(23,236)</u>	<u>(47,529)</u>
<i>Net Securities Lending Income (Loss)</i>	<u>643,531</u>	<u>77,365</u>	<u>158,245</u>
TOTAL ADDITIONS	<u>(52,027,314)</u>	<u>(15,011,916)</u>	<u>(7,740,270)</u>
DEDUCTIONS			
Benefit Payments	123,198,045	9,749,714	1,022,537
Refunds of Contributions	16,601,339		1,791,161
Administrative Costs	<u>2,430,808</u>	<u>292,228</u>	<u>597,740</u>
TOTAL DEDUCTIONS	<u>142,230,192</u>	<u>10,041,942</u>	<u>3,411,438</u>
NET INCREASE (DECREASE) IN PLAN NET ASSETS	<i>(194,257,506)</i>	<i>(25,053,858)</i>	<i>(11,151,708)</i>
NET INCREASE AVAILABLE FOR PENSION BENEFITS			
<i>Beginning of Year</i>	<u>1,717,899,102</u>	<u>208,313,588</u>	<u>387,217,236</u>
<i>End of Year</i>	<u>\$1,523,641,596</u>	<u>\$183,259,730</u>	<u>\$376,065,528</u>

The accompanying notes are an integral part of these financial statements.

Financial Section

GENERAL-PURPOSE FINANCIAL STATEMENTS

TOTAL DEFINED BENEFIT	MEMBERS' MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	COMBINED TOTALS 2002	COMBINED TOTALS 2001
\$54,795,940	\$515,685	\$375,247	\$55,686,872	\$53,003,474
43,178,759	518,556	383,911	44,081,226	44,873,291
364,746			364,746	10,679,999
<u>28,060,171</u>			<u>28,060,171</u>	<u>27,432,188</u>
<u>126,399,616</u>	<u>1,034,241</u>	<u>759,158</u>	<u>128,193,015</u>	<u>135,988,952</u>
(267,125,902)	(1,791,817)	(502,761)	(269,420,480)	(226,400,170)
38,257,633			38,257,633	45,855,734
19,550,527			19,550,527	11,541,628
10,057,077			10,057,077	8,821,366
<u>2,791,447</u>			<u>2,791,447</u>	<u>1,911,032</u>
<u>(196,469,218)</u>	<u>(1,791,817)</u>	<u>(502,761)</u>	<u>(198,763,796)</u>	<u>(158,270,410)</u>
175,000			175,000	177,499
5,028,068			5,028,068	4,422,092
14,457			14,457	46,277
<u>371,514</u>			<u>371,514</u>	<u>379,146</u>
<u>(202,058,257)</u>	<u>(1,791,817)</u>	<u>(502,761)</u>	<u>(204,352,835)</u>	<u>(163,295,424)</u>
3,025,082			3,025,082	8,293,890
(1,881,893)			(1,881,893)	(6,841,543)
<u>(264,048)</u>			<u>(264,048)</u>	<u>(361,199)</u>
<u>879,141</u>			<u>879,141</u>	<u>1,091,148</u>
<u>(74,779,500)</u>	<u>(757,576)</u>	<u>256,397</u>	<u>(75,280,679)</u>	<u>(26,215,324)</u>
133,970,296			133,970,296	125,003,556
18,392,500	142,972	126,489	18,661,961	17,813,389
<u>3,320,776</u>			<u>3,320,776</u>	<u>3,122,013</u>
<u>155,683,572</u>	<u>142,972</u>	<u>126,489</u>	<u>155,953,033</u>	<u>145,938,958</u>
<u>(230,463,072)</u>	<u>(900,548)</u>	<u>129,908</u>	<u>(231,233,712)</u>	<u>(172,154,282)</u>
<u>2,313,429,926</u>	<u>11,651,401</u>	<u>3,386,867</u>	<u>2,328,468,194</u>	<u>2,500,622,476</u>
<u>\$2,082,966,854</u>	<u>\$10,750,853</u>	<u>\$3,516,775</u>	<u>\$2,097,234,482</u>	<u>\$2,328,468,194</u>

**Statement of Revenues, Expenditures and Changes in Fund Balance
for the year ended December 31, 2002**

	IRC EXPENDABLE TRUST
REVENUES	
Contributions	
Plan Member	\$ 3,211,409
<i>Total Contributions</i>	<i>3,211,409</i>
Investment Income	
Net Appreciation in Fair Value of Investments	(3,189,528)
<i>Total Investment Income</i>	<i>(3,189,528)</i>
Total Revenues	21,881
EXPENDITURES	
Withdrawals	1,161,605
Total Expenditures	1,161,605
EXCESS OF REVENUES OVER EXPENDITURES	(1,139,724)
FUND BALANCE RESERVED FOR WITHDRAWALS	
BEGINNING OF YEAR	16,163,786
END OF YEAR	\$ 15,024,062

NOTES TO FINANCIAL STATEMENT — December 31, 2002

Note 1: Organization

The Fire and Police Members' Benefit Fund (the Common Fund) was established in 1980 pursuant to the Colorado Revised Statutes of 1973, as amended. Funds are administered by a nine member Board of Directors appointed by the Governor, and confirmed by the Senate to serve four-year staggered terms. The trustee, the Fire and Police Pension Association of Colorado (FPPA), collects, invests, administers, and disburses monies on behalf of fire fighters and police officers in the State of Colorado for the following plans/funds:

Defined benefit retirement plans for fire and police employees in the State of Colorado hired before April 8, 1978, (Old Hires) providing that such plans have affiliated with FPPA, and affiliated volunteer fire pension plans in the State of Colorado. This is an agent multiple-employer plan. These plans are reported as the Affiliated Local Plans Fund.

The Statewide Death and Disability Fund is a defined benefit plan. This is a cost sharing multiple-employer plan.

The Statewide Defined Benefit Plan Fund is a defined benefit plan for fire and police employees hired in the State of Colorado on or after April 8, 1978. This is a cost sharing multiple-employer plan.

The Members' Money Purchase Plan Benefit Fund administers defined contribution plans for fire and police employees hired in the State of Colorado providing that such plans have affiliated with FPPA. This is a cost sharing agent multiple-employer defined contribution plan.

The Members' Statewide Money Purchase Plan Benefit Fund is cost sharing multiple-employer defined contribution plan.

The Expendable Trust Fund is a deferred compensation plan created under Internal Revenue Code Section 457. This Fund collects amounts deferred by participants of affiliated plans. The assets are held in trust for the exclusive benefit of participants.

In order to facilitate investing, and to reduce operating costs, FPPA pools investments in what is known as the Common Fund. Each month shared revenues (i.e. investment income) and shared operating expenses are allocated to each affiliate, and to the statewide plans, based upon each plan's proportionate share of total assets.

Note 2: Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting for the Affiliated Local Plans, Statewide Death and Disability Plan, Statewide Defined Benefit Plan, Members' Money Purchase Plan, and Statewide Members' Money Purchase Plan in accordance with generally accepted accounting principles applicable to governmental accounting in accordance with GASB Statement No. 25. The Expendable Trust Fund was prepared using the modified accrual basis of accounting. Member and employer contributions for all plans are recognized as additions/revenues in the period in which employee services are performed. Operating expenditures are recorded when incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

(b) Reporting Entity

The Governmental Accounting Standards Board has specified the criteria to be used in defining a governmental entity for financial reporting purposes. In accordance with Governmental Accounting Standards, FPPA has considered the possibility of inclusion of additional entities in its comprehensive annual financial report. The definition of the reporting entity is based primarily on financial accountability. FPPA is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if FPPA appoints a voting majority of the organization's governing body and is either able to impose its will on that organization or there is a potential for benefits to, or to impose, specific financial burdens on FPPA. FPPA may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of the above criteria, FPPA has no includable entities. In addition, FPPA is not included in the financial statements of any other entity.

(c) Investments

Investments are recorded at fair value using quoted market prices, except for real estate which is recorded at estimated fair value based upon periodic appraisals and valuations, investments in limited partnerships which are

recorded at estimated fair value as derived from the financial statements of the partnerships, and guaranteed investment contracts which are recorded at contract value. Investment transactions are accounted for on the trade date.

Dividend income is recorded on the ex-dividend date. Interest income is accounted for using the accrual method of accounting.

(d) Cash and Cash Equivalents

Cash and Cash equivalents consist of money market funds, cash held by money managers, certificates of deposit, and demand deposits.

(e) Property and Equipment

Property and equipment is stated at cost, less any write-downs for impairment in value, and is depreciated using the straight-line method over estimated lives as follows:

Computer and office equipment	3 to 5 years
Vehicles	5 years
Furniture	10 years
Building and Improvements	30 years

(f) New Accounting Pronouncement

During 2002, the Plan implemented GASB Statement 34 Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments. The adoption of GASB 34 required the Plan to present Management's Discussion and Analysis. The adoption of GASB 34 had no impact on the Plan's basic financial statements or its net assets.

(g) Income Taxes

FPPA is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code.

(h) Member Transactions

Funds invested by members include payroll contributions made by member police officers and fire fighters, contributions of affiliated employers on behalf of their police officers and fire fighters, contributions from the State of Colorado, and contributions of plan assets by newly affiliated plans of formerly non-participating entities.

Funds withdrawn by members include benefit payments to members, refunds paid to terminated employees, and withdrawals of deferred amounts.

(i) Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. Actuarially determined future benefit payments require the use of significant estimates. The Association believes that the techniques and assumptions used in establishing these estimates are appropriate.

(j) Reclassification of Prior Year Amounts

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

(k) Allocation

Expenses and investments are allocated to each Plan according to their proportionate share of total assets.

Note 3: Plan Descriptions

(A) Affiliated Local Plans

(1) Plan Description

This is an agent multiple-employer Public Employee Retirement System (PERS). There are 219 local plans affiliated with the Association.

The Affiliated Local Plans represent the assets of a number of separate plans, which have been pooled for investment purposes. The pension plans (volunteer and paid) represented in the Affiliated Local Plans investment pool,

have elected to affiliate with FPPA for plan administration and investment only. Each plan has a separate plan document, actuarial valuation, and is governed by its own local pension board.

(2) Contributions and Benefit Provisions

As each affiliated member has its own plan, there is no uniform amount for either contributions or benefit provisions.

(3) Membership

These plans are for the benefit of two distinct groups. The first of those are fire and police employees of affiliated employers hired prior to April 8, 1978, (Old Hires). The other group is volunteer firefighters of affiliated plans. The membership of these two groups as of December 31, 2002, are comprised as follows:

DROP Participants – Active	490
DROP Participants – In Pay Status	47
Retirees and Beneficiaries Currently Receiving Benefits	4,963
Terminated Vested Employees Entitled To Benefits But Not Yet Receiving Them (Including DROP)	270
Current Employees – Active	311
Current Employees – Active Exempt New Hire	955
Current Volunteers – Active	4,294
Total Members	11,330

(B) Statewide Death and Disability Plan

(1) Plan Description

The Plan is a multi-employer cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised Statutes.

(2) Contributions

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. In addition, there were 8 contributing employers as of December 31, 2002, who are covered by Social Security and have also elected supplementary coverage by the statewide plan. The State made a one-time contribution in 1997 of \$39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, contribute 2.30% of payroll to this fund. This will increase to 2.4% effective January 1, 2003. This percentage can vary depending on actuarial experience.

(3) Benefits

Benefits are established by Colorado statute.

If a member dies prior to retirement, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary with an additional 10% of base salary if a surviving spouse has two or more dependent children, or if there are three or more dependent children without a surviving spouse. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children.

A member who becomes disabled prior to retirement shall be eligible for disability benefits. The benefit is 70% of base salary for cases of total disability and 30% for cases of occupational disability, reduced by the amount of certain other benefits received. These occupational disability benefits are increased by an additional 10% of base salary if the member has a spouse and further 10% of base salary if the member has any dependent children.

Effective October 1, 2002, the occupational disability benefit was changed to a "permanent occupational disability" with a flat 50% of base salary benefit and a "temporary occupational disability" with a flat 40% of base salary benefit.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot increase by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic COLA each year of 3%.

(4) Membership

The participating employees (members) of the Plan as of December 31, 2002, are comprised as follows:

Retirees and beneficiaries receiving benefits	594
Active non-vested members	9,585
Total Members	10,179

(C) Statewide Defined Benefit Plan

(1) Plan Description

The Plan is a multi-employer cost sharing, defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, (New Hires), provided that they are not already covered by a statutorily exempt plan. The Plan became effective January 1, 1980. The Plan currently has 161 contributing employers.

Employees hired before April 8, 1978, (Old Hires) may be covered by the Plan provided that their employer is affiliated with the Association. An employer has the opportunity to affiliate on January 1 of each year. A requirement of coverage under the Statewide Plan is that the affiliating employer transfer assets to the Plan equivalent to the total actuarial liability of employees who also transfer to the Plan.

Employers had the option to elect to withdraw from the Plan until a change in state statutes was passed which permitted no further withdrawals after January 1, 1988.

(2) Contributions

It is the policy of the Plan that the contribution rate be established at a level that will result in all benefits being fully funded at the retirement date of all members of the Statewide Defined Benefit Plan. At the present time, both employers and employees are required by Colorado statute to contribute 8% of the employees' salary to the Plan. In addition, certain employers who are covered by Social Security have also elected supplementary coverage by the statewide plan. Based upon an estimated payroll, the actuarially determined contributions for 2002 are \$23,304,559, representing 14.862% of base payroll.

(3) Benefits

Employees have 60 days from the date of affiliation by their employer to elect whether to adopt the Plan's schedule of benefits or to remain with the employer's previous schedule.

On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that the retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983 to state that any member may be retired from further service and shall be eligible for a normal retirement pension at any time after attaining the age of 55 years, if the member has at least 25 years of service.

The annual normal pension shall be 2% of the average of the member's highest three years' base salary for each year of credited service up to ten years plus 2.5% for each year thereafter. The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually. Benefits paid to retired members are evaluated and re-determined October 1 of each year. The amount of increase is based on the Board's discretion and can range from 0-3%. In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and any earnings or losses thereon. Participants do not vest in amounts credited to their account until retirement and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions.

A member shall be eligible for an early retirement benefit after completion of 30 years of service or attainment of age 50. The early retirement benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis.

Upon termination, an employee may elect to have all contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least ten years of accredited service may leave contributions with the Plan and continue to be eligible for a retirement pension at age 55 equal to 2% of the member's highest three years base salary for each year of credited service up to ten years plus 2.5% for each year thereafter.

(4) Membership

The participating employees (members) of the Plan as of December 31, 2002, are comprised as follows:

Retirees and beneficiaries receiving benefits:	49
Terminated members entitled to benefits but not yet receiving such benefits:	111
Members:	
DROP Participants	10
Fully Vested	46
Partially Vested	1,213
Non-vested	2,089
Total Members	3,518

(D) Members’ Local Money Purchase Plan Benefit Fund

(1) Plan Description

The Fund is a multi-employer defined contribution (money purchase) pension fund covering full-time employees of participating fire or police departments in Colorado whose employers have elected to affiliate with FPPA for investment and administrative purposes.

The Members’ Money Purchase Plan Benefit Fund became effective on January 1, 1990. Participants have the option of choosing between various mutual funds offered by an outside money manager. There were 4 contributing employers as of December 31, 2002.

(2) Contributions and Vesting

Contributions to the Fund are calculated as a percentage of the employee’s base salary. The percentage is specified in each employer’s individual plan document, but current participants are contributing at the rate of 8% of salary, which is matched by the employer.

Plans may also allow voluntary contributions to be made by the members, which are generally not matched by the employer. Members are always 100% vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer’s contributions and earnings on those contributions is determined by each individual plan’s vesting schedule.

(3) Membership

There were 126 contributing employees (members) at December 31, 2002.

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	18
Members:	
Partially Vested	126
Total Members	144

(E) Members’ Statewide Money Purchase Plan Benefit Fund

(1) Plan Description

The Fund is a multi-employer defined contribution (money purchase) pension fund covering full-time employees of participating fire or police departments in Colorado who have elected to participate in the Statewide Money Purchase Benefit Fund.

The Members’ Statewide Money Purchase Plan Benefit Fund became effective on January 1, 1995. Participants have the option of choosing between various mutual funds offered by an outside money manager. There were 35 contributing employers as of December 31, 2002.

(2) Contributions and Vesting

Contributions to the Fund are calculated as a percentage of the employee’s base salary, which is specified by State statute. In addition, current participants are contributing at the rate of 8% of salary, which is matched by the employer. Members are always 100% vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer’s contributions and earnings on those contributions is determined by the vesting schedule and set by the State statute. Employer contributions are invested in funds at the discretion of members.

(3) Membership

The participating employees (members) of the Fund at December 31, 2002, are comprised as follows:

Retirees and beneficiaries receiving benefits, And terminated members entitled to benefits but not yet receiving such benefits	24
Members:	
Fully Vested	36
Partially Vested	42
Non-vested	14
Total Members	116

Note 4: Cash and Investments

(1) Cash Deposits

The Association’s deposits are categorized below to indicate the level of risk assumed at year-end.

The Colorado Public Deposit Act (PDPA), requires that all units of Local Government deposit cash in eligible depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal levels must be collateralized. Collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Category 1: Insured or collateralized with securities held by the Plan or by its agent in the Association’s name.

Category 2: Collateralized with securities held by the pledging financial institution’s trust department or agent in the Association’s name.

Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the Association’s name).

Cash and cash equivalents held by the custodian include money market funds and other cash equivalents which are not categorized as they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2002, the Association’s cash deposits had a carrying value, and a corresponding bank balance as follows:

	Carrying Value	Bank Balance
Cash on Hand	\$350	\$
Insured Deposits	100,000	100,000
Deposits Collateralized in Single Institution Pools (Category 2)	<u>1,501,328</u>	<u>2,707,591</u>
Total Deposits	1,601,678	2,807,591
Cash and Cash Equivalents held by the Respective Custodians (Category 2)	<u>147,820,092</u>	<u>147,820,093</u>
Total Cash and Cash Equivalents	\$149,421,770	\$150,627,684

(2) Investments

The Association has established a long-range statement of investment objectives and policies for managing and monitoring the Common Fund. The investment policy sets forth the Common Fund's investment objective to provide the greatest long-term benefits to members of the Association by maximizing the total rate of return on investments, within prudent parameters of risk. The investment policy also defines the responsibilities of the fiduciaries with respect to the Common Fund, their investment authority under the prudent person rule, the level of acceptable risk for investments, statutory asset allocation restrictions, investment performance objectives, and guidelines within which outside investment managers may operate.

Under Colorado statutes, the Association, as trustee of the Common Fund, has complete discretionary authority to invest and reinvest funds of the Common Fund, using the prudent investor rule.

The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below. Investments in local government investment pools or in money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Category 1: Insured or registered, or securities held by the Common Fund or its agents in the Association's name.

Category 2: Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Association's name.

Category 3: Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent, but not in the Association's name.

All investments of FPPA are determined to be Category 1 investments.

	Securities not Loaned	Securities Loaned	Carrying Amount
INVESTMENTS CATEGORIZED			
U.S. Government Obligations ¹	\$ 159,665,188	\$	\$ 159,665,188
Domestic Corporate Bonds ¹	390,823,151		390,823,151
Domestic Stocks ¹	813,605,102		813,605,102
International Stocks ^{1,2}	311,806,298	7,697,277	319,503,575
International Fixed Income ¹	19,863,608		19,863,608
Sub-Total	\$1,695,763,347	\$ 7,697,277	\$1,703,460,624
<i>¹ Secured by Cash Collateral</i>			
<i>² Secured by Securities Collateral</i>			
INVESTMENTS NOT CATEGORIZED			
Venture Capital			\$ 128,435,627
Real Estate			116,529,050
Securities Lending Investment Pool			129,655,436
Investments Held by Broker-Dealers Under Securities Loans			
U.S. Government Obligations			25,323,481
Domestic Corporate Bonds			29,362,191
Domestic Stocks			18,899,129
International Stocks			42,842,345
International Fixed Income			730,235
Total			\$2,195,238,118

A summary of investments reflected on the Statement of Plan Net Assets Available for Benefits follows:

U.S. Government Agency Obligations	\$ 184,988,669
Corporate Bonds	420,185,342
Domestic Equity Securities	832,504,231
International Equity Securities	362,345,920
International Fixed Income	20,593,843
Venture Capital	128,435,627
Real Estate	116,529,050
Securities Lending Investments Pool	129,655,436
Total Investments	\$ 2,195,238,118

(3) Securities Lending

State Statute allows the Association to participate in securities lending transactions. The Association has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend the securities it holds as custodian to broker-dealers and banks pursuant to a form of loan agreement.

During the year ended December 31, 2002, the Association received U.S. and foreign dollar cash, U.S. Government Securities, foreign sovereign debt and irrevocable bank letters of credit for collateral. The Association did not have the ability to pledge or sell collateral securities without a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to but not less than 100% of the market value of the loaned securities. The Association did not impose any restrictions on the amounts of loans that State Street made on its behalf, and State Street indemnified the Association by agreeing to purchase replacement securities, or return the cash collateral, in the event a borrower failed to return the loaned securities or failed to pay distributions. There were no failures by any borrower's to return loaned securities or pay distributions during the year ended December 31, 2002. In addition, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the Association and borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders. As of December 31, 2002, such investment pool had an average duration of 75 days and an average weighted maturity of 456 days. Because the loans were terminable at will their duration did not generally match the maturation of the investments made with cash collateral. On December 31, 2002, the Association has no credit risk exposure to borrowers because the amounts FPPA owes the borrowers is less than the amounts the borrowers owe FPPA. The market value of the securities on loan for the Association as of December 31, 2002, was \$124,854,659. The market value of the collateral received as of December 31, 2002 is \$129,655,436.

(4) Investment Concentration

No investments represent 5% or more of the plan net assets of each individual fund.

Note 5: Deferred Compensation Plan

The employees of FPPA may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457, along with participating fire and police departments. All funds are invested outside the Common Fund. The Plan, available to all employees, permits the deferral of a portion of their salary until future years. The deferred compensation and associated appreciation in the fair value of the assets held are not available to employees until termination, retirement, death, or an unforeseen emergency.

In response to the 1996 Small Business Protection Act, the Governmental Accounting Standards Board issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This Statement requires that amounts deferred under a qualified Section 457 plan be held in trust for the exclusive benefit of participating employees, and not be accessible by the sponsoring government, or its general creditors.

In response to this Statement, the Association has modified its trust agreement with respective affiliates; and the result of this modification is the placing of Plan activity within an Expendable Trust Fund for the purposes of financial statement presentation. Fund Balance Reserved for Withdrawals equaled \$15,024,062 at December 31, 2002.

Note 6: Property and Equipment

Property and equipment at December 31, 2002, is comprised of the following:

General Fixed Assets	Balance December 31, 2001	Additions	Deletions	Balance December 31, 2002
Land, Bldgs.& Equipment	\$ 3,103,145	\$ 55,386	\$ (195,899)	\$ 2,962,632
Accumulated Depreciation	(1,374,999)	(140,759)	151,209	(1,364,549)
Total:	\$ 1,728,146	\$ (85,373)	\$ (44,690)	\$ 1,598,083

Depreciation expense totaled \$140,759 in 2002.

Note 7: Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. It carries commercial coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

Note 8: Employee Retirement Plan

(1) Plan Description

The Association contributes to the State Division Trust Fund (SDTF) a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Association are members of SDTF. Title 24, Article 51 of the Colorado Revised Statutes, (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for SDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA's InfoLine at 1-800-759-PERA, or Denver metro area 303-837-6250.

(2) Basis of Accounting for the SDTF

The financial statements of the SDTF are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. SDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, and approximate fair value.

(3) Funding Policy

Plan members and the Association are required to contribute at a rate set by statute. The contribution requirements of plan members and the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Association is 10.40% of covered salary. A portion of the Association's contribution is allocated for the Health Care Fund. The Association's contributions to SDTF for the years ending December 31, 2002, 2001, and 2000 were \$109,680, \$107,985, and \$146,324 respectively, equal to their required contributions for each year.

Note 9: Defined Contribution Pension Plan

Plan Description

The SDTF members of the Association may voluntarily contribute to the Voluntary Investment Program (VIP) an Internal Revenue Code Section 401(k) defined contribution plan administered by the PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the VIP provisions to the State Legislature.

The VIP is funded by voluntary member contributions of up to 18% of covered salary. No employer contributions are required. The VIP member contributions from Association employees for the year ended December 31, 2002 was \$41,213.

Note 10: Financial Obligations with Off Balance Sheet Risk

FORWARD FOREIGN EXCHANGE CONTRACTS

The Association through its various money managers has entered into forward foreign exchange contracts. These contracts were entered into for the purposes of hedging against changes in currency prices relative to the U. S. dollar. This is allowed under the Association's investment policies subject to a limit of 50% of the portfolio's market value.

Forward Foreign Exchange Contracts are a contractual obligation between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counter-party risk. Forwards are usually transacted Over the Counter (OTC). These transactions are entered into with the foreign exchange department of a bank located in a major money market.

Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract.

EQUITY INDEX FUTURES

The Association through one money manager has invested in un-leveraged domestic and international equity index futures. These future positions are used solely to provide liquidity and market exposure. These types of contracts are allowed under the Association's investment policies subject to the following conditions: a) All long and short positions must be covered; b) Sufficient cash shall be maintained to cover all margin requirements; c) Leverage will not be permitted; d) Counterparties must have and maintain a minimum credit rating of "a"; e) Index futures exposure shall not exceed 25% of the total portfolio market value.

FINANCIAL FUTURES AND OPTIONS

The Association, through its various money managers has entered into exchange traded financial futures. The purpose of these contracts is for hedging, alternatives to investments, cash market and as an additional yield curve management strategy. These futures included U.S. Agency, Bond and Treasury Futures and Options. In addition, contracts include Euro dollar and interest rate swap futures. Money managers may also invest in forward contracts. These transactions relate to a forward commitment strategy in cash equivalents or short duration securities with an effective duration of one year or less.

Note 11: Commitments and Contingencies

FPPA is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of FPPA's legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Common Fund. The Association has invested in certain venture capital partnerships and corporations. As part of these investments, FPPA has agreed to contribute additional funds at various times. At December 31, 2002, FPPA had committed approximately \$78.3 million in additional funds to these projects.

SCHEDULE OF FUNDING PROGRESS (unaudited)

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Surplus) Actuarial Accrued Liability as a % of Covered Payroll
Statewide Defined Benefit Plan							
2002	1/1/02	\$428,388,591	\$337,391,594	\$(90,996,997)	127.0%	\$156,808,953	(58.0%)
2001	1/1/01	405,598,652	305,500,209	(100,098,443)	132.8%	141,154,007	(70.9%)
2000	1/1/00	367,003,914	230,422,395	(136,581,519)	159.3%	125,090,112	(109.2%)
1999	1/1/99	311,057,177	203,004,350	(108,052,827)	153.2%	108,851,702	(99.3%)
1998	1/1/98	261,508,736	171,147,782	(90,360,954)	152.8%	97,101,652	(93.1%)
1997	1/1/97	217,453,896	139,041,762	(78,412,134)	156.4%	85,955,603	(91.2%)
Affiliated Local Plans							
2002	1/1/02	\$1,902,729,069	\$2,086,914,286	\$184,185,217	91.2%	\$74,373,501	247.6%
2000	1/1/00	1,824,520,033	1,958,959,749	134,439,716	93.1%	82,304,632	163.3%
1998	1/1/98	1,466,608,186	1,813,999,862	347,391,676	80.9%	104,522,694	332.4%
1996	1/1/96	1,121,444,504	1,593,927,538	472,483,034	70.4%	96,013,582	492.1%
1994	1/1/94	856,308,695	1,382,776,434	526,467,739	61.9%	102,422,653	514.0%
Statewide Death & Disability Plan							
2002	1/1/02	\$239,456,347	\$242,300,197	\$2,843,850	98.8%	\$484,328,830	0.6%
2001	1/1/01	240,575,733	211,504,167	(\$29,071,566)	113.7%	441,924,703	(6.6%)
2000	1/1/00	229,537,083	184,174,365	(\$45,362,718)	124.6%	413,510,444	(11.0%)
1999	1/1/99	212,356,890	181,865,207	(\$30,491,683)	116.8%	394,666,053	(7.7%)
1998	1/1/98	193,630,404	147,898,674	(\$45,731,730)	130.9%	375,057,167	(12.2%)
1997	1/1/97	175,363,504	141,514,681	(\$33,848,823)	123.9%	350,988,256	(9.6%)

SCHEDULE OF EMPLOYER & STATE CONTRIBUTIONS (unaudited) — December 31, 2002

(A) Statewide Death and Disability Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2002	\$ 2,840,452	100%
2001	2,270,023	100
2000	1,465,861	100
1999	434,958	100
1998	492,648	100
1997	28,289	100
1996	36,712	100
1995	29,500	100
1994	23,564	100
1993	21,201	100
1992	17,230	100

State of Colorado Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2002	\$ 0*	N/A
2001	0*	N/A
2000	0*	N/A
1999	0*	N/A
1998	0*	N/A
1997	39,000,000	100%
1996	7,500,000	100
1995	7,500,000	100
1994	7,467,052	100
1993	3,717,048	100
1992	600,000	100

* Funding discontinued with contribution for the year ended December 31, 1997.

(B) Statewide Defined Benefit Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2002	\$ 12,544,716	100% (est.)
2001	11,292,321	100
2000	10,007,209	100
1999	8,708,136	100
1998	7,768,132	100
1997	6,876,448	100
1996	6,732,026	100
1995	6,008,223	100
1994	5,341,227	100
1993	4,926,158	100
1992	4,420,194	100

(C) Affiliated Local Plans

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2002	\$ 40,986,770	100%
2001	32,779,006	100
2000	35,097,807	100
1999	51,599,353	100
1998	53,639,344	100
1997	60,058,331	100
1996	60,058,331	100
1995	57,505,130	100
1994	57,505,130	100
1993	66,161,860	100
1992	66,161,860	100

Note 1: Description

The historical trend information for the Statewide Death and Disability Fund, Statewide Defined Benefit Plan, and Affiliated Local Plans are presented as required supplementary information. Actuarial studies are completed on the Affiliated Local Plans biennially in accordance with GASB 27. Each of the 219 Affiliated Local Plans has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

Note 2: Actuarial Assumptions and Methods

	Statewide Death & Disability	Statewide Defined Benefit	Affiliated Local Plans
Valuation Date	1/1/02	1/1/02	1/1/02
Actuarial Method	Aggregate Funding ²	Entry Age Normal	Entry Age Normal
Amortization Method	N/A ¹	Level % of Payroll	Various
Remaining Amortization Period	N/A ¹	30 Year Open	Various
Asset Valuation Method	Actuarial Value Of Assets	Actuarial Value Of Assets	Actuarial Value Of Assets
Actuarial Assumptions:			
Investment Rate of Return	8%	8%	8%
Projected Salary Increase	4.5% - 13.0%	4.5% - 13.0%	4.5% - 13.0%
Includes Inflation at	4.0%	4.0%	4.0%
Cost of Living Adjustment	0% - 3%	0% - 3%	0% - 3%
Health Care	N/A	N/A	N/A

¹ Plans not permitted to be unfunded under State statute.

² The aggregate funding method does not identify or separately amortize unfunded actuarial liabilities.

Note 3: Significant Factors Affecting Trends in Actuarial Information

Statewide Death and Disability Plan

- The current Plan benefits provide an automatic Cost of Living Adjustment, COLA, to totally disabled members and their beneficiaries; but assumes no future COLA benefits to other members. COLAs can be paid only when funds are available.

Statewide Defined Benefit Plan

- There were no significant factors affecting trends during 2002.

Affiliated Local Plans

- There were no significant factors affecting trends during 2002.

NET ASSETS BY PARTICIPANT — December 31, 2002

Alamosa Volunteer Fire Department (Volunteer)	\$1,022,584
Allens Park Fire (Volunteer)	172,436
Aspen Fire Protection District (Volunteer)	1,156,780
Ault Fire Protection District (Volunteer)	264,915
Aurora Fire	66,367,176
Aurora Fire - DROP	3,580,814
Aurora Fire - Rank Escalation	9,683,631
Aurora Police	69,448,154
Aurora Police - DROP	4,876,609
Aurora Police - Rank Escalation	11,334,068
Bancroft Fire Protection District	4,947,285
Bancroft Fire Protection District - Rank Escalation	1,152,617
Basalt and Rural Fire Protection District (Volunteer)	1,147,445
Bennett Volunteer Fire (Volunteer)	227,717
Berthoud Fire Protection District (Volunteer)	388,899
Black Hawk Fire Protection District (Volunteer)	15,325
*Blanca Volunteer Fire (Volunteer)	52,332
Boone Volunteer Fire (Volunteer)	25,620
Boulder Heights Fire Protection District (Volunteer)	284,321
Boulder Rural Fire Protection District (Volunteer)	437,273
Bow Mar Police	116,104
Brighton Fire (Volunteer)	2,728,696
Brush Rural Fire (Volunteer)	274,849
Brush Volunteer Fire Department (Volunteer)	255,603
Buena Vista Fire (Volunteer)	190,324
Burning Mountain Fire Protection District (Volunteer)	439,348
Calhan Fire (Volunteer)	26,891
Cañon City Area Fire Protection District	3,156,359
Cañon City Area Fire Protection District (Volunteer)	188,562
Carbondale & Rural Fire Protection District (Volunteer)	1,083,101
Cascade Fire (Volunteer)	164,225
Castle Rock Volunteer Fire Department (Volunteer)	725,109
Cedaredge Police	191,950
Central City Fire Department (Volunteer)	154,942
Central Orchard Mesa Fire Protection District (Volunteer)	90,094
Cherry Hills Fire Protection District	2,677,600
Cherryvale Fire Protection District (Volunteer)	190,367
Cheyenne County #1 Fire (Volunteer)	112,873
Clear Creek County Emergency Services District (Volunteer)	1,082,635
Clifton Fire Protection District (Volunteer)	1,513,104
Coal Creek Fire Protection District (Volunteer)	611,617

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Colorado Sierra Fire Protection District (Volunteer)	\$30,977
Colorado Springs Exempt Fire-SRA Actuarial	176,719
Colorado Springs Exempt Fire	50,103,546
Colorado Springs Exempt Police	83,907,495
Colorado Springs Exempt Police SRA-Master	71,784
Colorado Springs Exempt Police SRA-Actuarial	565,639
Colorado Springs Fire	70,998,118
Colorado Springs Fire - DROP	3,689,672
Colorado Springs Fire - Rank Escalation	12,213,290
Colorado Springs Police	59,711,578
Colorado Springs Police - DROP	1,454,264
Colorado Springs Police - Rank Escalation	10,112,196
Cortez Police	241,701
Cripple Creek Fire Protection District (Volunteer)	203,151
Crowley Fire Department (Volunteer)	10,054
Crystal Lake Fire Department (Volunteer)	40,495
Del Norte Fire (Volunteer)	322,240
Del Norte Police	35,598
Denver Fire	300,644,534
Denver Fire - DROP	14,577,006
Denver Fire-Rank Escalation	25,016,177
Denver Police	405,241,600
Denver Police - DROP	26,697,189
Denver Police - Rank Escalation	31,686,356
*Divide Volunteer Fire (Volunteer)	19,263
*Donald Westcott Volunteer Fire (Volunteer)	63,578
Dove Creek Fire (Volunteer)	88,768
Durango Fire	1,604,471
*Durango Fire - DROP	82,106
Durango Police	2,141,046
*Durango Police - DROP	125,284
Eads Volunteer Fire Department (Volunteer)	85,033
Eckley Fire (Volunteer)	17,533
Elbert Fire (Volunteer)	33,593
Eldorado Fire Department (Volunteer)	88,330
Elizabeth Fire Protection District (Volunteer)	832,003
Englewood Fire Department	10,601,897
Englewood Fire Department (Volunteer)	325,720
Englewood Fire - DROP	402,318
Englewood Police	6,523,879
Englewood Police - DROP	424,401
Erie Police	110,314
Evans Volunteer Fire Department (Volunteer)	273,049
Evergreen Fire (Volunteer)	2,483,163
Falcon Fire Protection District (Volunteer)	541,008
Federal Heights Volunteer Fire Department (Volunteer)	1,141,193
Firestone Marshalls	29,170

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Fisher's Peak Fire (Volunteer)	\$26,268
Florence Fire (Volunteer)	323,456
Foothills Fire Protection District (Volunteer)	763,043
Fort Morgan Fire (Volunteer)	989,856
Fort Morgan Rural Fire (Volunteer)	284,169
Fort Morgan Police	773,600
Franktown Fire Protection District (Volunteer)	939,823
Frederick Area Fire Protection District (Volunteer)	186,471
Galeton Fire (Volunteer)	178,330
Genesee Fire Protection District (Volunteer)	612,933
*Glacier View Fire (Volunteer)	7,938
Glendale Volunteer Fire Department (Volunteer)	160,646
Glenwood Springs Fire Department (Volunteer)	656,780
Golden Volunteer Fire Department (Volunteer)	2,269,313
Golden Gate Fire Protection District (Volunteer)	109,690
Grand Fire Protection District (Volunteer)	663,031
Grand Junction Fire	10,134,132
Grand Junction Police	2,127,916
Grand Lake Fire (Volunteer)	912,045
Grand Valley Fire (Volunteer)	818,500
Greeley Police	1,565,507
Green Mountain Falls-Chipita Park Fire Protection District (Volunteer)	158,188
Gypsum Fire (Volunteer)	254,732
Hartsel Fire Protection District (Volunteer)	268,777
Haxtun Volunteer Fire Department (Volunteer)	103,176
Haxtun Police	189,719
Hermosa Cliff Fire Protection District (Volunteer)	535,691
High Country Fire Protection District (Volunteer)	778,004
Hillrose Rural Fire (Volunteer)	81,343
Holyoke (City) Volunteer Fire Department (Volunteer)	100,015
Holyoke Fire Protection District (Volunteer)	198,742
Holyoke Police	69,816
Hot Sulphur Springs-Parshall Fire Protection District (Volunteer)	68,340
*Hygiene Fire (Volunteer)	305,280
Indian Hills Fire Protection District (Volunteer)	233,019
Inter-Canyon Fire Protection District (Volunteer)	608,378
Jackson 105 Fire Protection District (Volunteer)	104,899
Jefferson-Como Fire Protection District (Volunteer)	346,836
Kiowa Fire Protection District (Volunteer)	278,788
Kremmling Fire Protection District (Volunteer)	313,758
Lafayette Volunteer Fire Department (Volunteer)	851,663
Lake Dillon Fire (Volunteer)	1,528,427
Lake George Fire Protection District (Volunteer)	80,069
La Junta Fire	843,053
La Junta Police	1,003,377
La Junta Rural Fire Protection District (Volunteer)	263,736
Lakewood Fire Protection District	13,809,250

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Lakewood Fire Protection District - Rank Escalation	\$4,687,028
Lamar Fire	633,723
Lamar Police	104,021
Lamar Fire Protection District (Volunteer)	170,930
Larkspur Fire Protection District (Volunteer)	807,349
Las Animas Police	551,803
La Salle Fire Protection District (Volunteer)	1,109,596
La Salle Police	339,561
Leadville Fire	265,270
Left Hand Fire Protection District (Volunteer)	439,309
Lewis-Arriola Fire Protection District (Volunteer)	643,675
Limon Fire Department (Volunteer)	250,049
*Livermore Fire Protection District (Volunteer)	14,219
Log Hill Mesa Fire Protection District (Volunteer)	33,004
Lower Valley Fire Protection District (Volunteer)	306,876
Manitou Springs Fire	353,772
Manitou Springs Volunteer Fire Department (Volunteer)	352,191
Manzanola Rural Fire Protection District (Volunteer)	56,361
Milliken Fire Protection District (Volunteer)	441,723
Montrose Fire Protection District	206,780
Montrose Fire Protection District (Volunteer)	531,200
Mountain View Fire Protection District	497,170
Mountain View Fire Protection District (Volunteer)	1,669,102
Nederland Fire Protection District (Volunteer)	95,377
Northeast Teller County Fire Protection District (Volunteer)	346,458
North Fork Fire Protection District (Volunteer)	48,735
North Routt Fire Protection District (Volunteer)	75,650
North Washington Fire Protection District	3,815,046
North Washington Fire Protection District-Rank Escalation	339,140
North Washington Fire Protection District (Volunteer)	154,212
*North Washington Fire Protection District - DROP	27,650
Northwest Fire Protection District (Volunteer)	266,363
Northwest Conejos Fire Protection District (Volunteer)	268,704
Nucla-Naturita Fire (Volunteer)	178,331
Nunn Fire Protection District (Volunteer)	254,671
Oak Creek Fire Protection District (Volunteer)	136,281
Olathe Fire Protection District (Volunteer)	226,280
Olney Springs Volunteer Fire Department (Volunteer)	108,436
Ouray Volunteer Fire Department (Volunteer)	134,714
Pagosa Fire Protection District (Volunteer)	2,112,479
Palisade Volunteer Fire Department (Volunteer)	194,241
Palmer Lake Volunteer Fire Department (Volunteer)	24,410
Paonia Police	24,229
Parker Fire Protection District (Volunteer)	622,654
Pawnee Fire (Volunteer)	21,014
Pinebrook Hills Fire Protection District (Volunteer)	108,122
*Plateau Valley Fire (Volunteer)	43,677

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Platte Canyon Fire Protection District (Volunteer)	\$727,293
Platte Valley Fire Protection District (Volunteer)	1,404,600
Platteville Fire (Volunteer)	1,052,322
Pleasant View Fire Protection District (Volunteer)	189,753
Pleasant View Metro Fire Protection District (Volunteer)	797,681
Poudre Valley Fire (Volunteer)	119,120
Pueblo Fire	33,011,795
*Pueblo Fire - DROP	940,988
Pueblo Fire - Rank Escalation	2,441,489
Pueblo Police	45,961,507
Pueblo Police - Rank Escalation	6,013,720
Pueblo Rural Fire Protection District	2,208,356
Pueblo Rural Fire Protection District - Rank Escalation	338,934
Rangeley Rural Fire (Volunteer)	410,954
Rattlesnake Fire Protection District (Volunteer)	285,878
Red Feather Lakes Fire Protection District (Volunteer)	110,794
Ridgeway Fire (Volunteer)	220,944
Rio Blanco Fire Protection District (Volunteer)	737,418
Rifle Fire (Volunteer)	792,451
Rocky Ford Fire	239,826
Rocky Ford Police	449,498
Rocky Ford Volunteer Fire Department (Volunteer)	26,031
Sable Altura Fire Protection District (Volunteer)	380,336
Salida Fire	277,473
Salida Police	945,813
Salida Police DROP	183,610
Silverton Fire (Volunteer)	84,923
Simla Volunteer Fire Department (Volunteer)	64,016
Snake River Fire Protection District (Volunteer)	398,957
South Adams County Fire Protection District	545,971
South Adams County Fire Protection District (Volunteer)	2,849,415
South Arkansas Fire Protection District (Volunteer)	207,454
South Conejos Fire Protection District (Volunteer)	138,993
South Metro Fire Rescue (Volunteer)	366,584
Springfield Fire (Volunteer)	77,180
Springfield Police	422,994
Steamboat Springs Volunteer Fire Department (Volunteer)	966,993
Sterling Fire	748,642
Sterling Police	966,562
Sterling Volunteer Fire Department (Volunteer)	267,549
Stonewall Fire (Volunteer)	39,501
Stratton Fire Protection District (Volunteer)	42,676
Sugar City Fire Department (Volunteer)	63,626
Sugarloaf Fire Protection District (Volunteer)	247,444
SW Washington Fire (Volunteer)	15,438
Telluride Fire Protection District (Volunteer)	542,183
Thornton Fire	7,680,508

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Trinidad Fire	\$341,631
Trinidad Fire - Rank Escalation	50,290
Trinidad Police	177,300
Union Colony Fire	8,305,580
Walsenburg Police	34,868
Walsh Fire (Volunteer)	8,738
Wellington Fire Protection District (Volunteer)	515,951
West Cheyenne Fire Protection District (Volunteer)	45,962
West Douglas County Fire Protection District (Volunteer)	406,305
West Metro Fire (Volunteer)	667,912
West Routt Fire Protection District (Volunteer)	1,093,144
Westminster Fire (Volunteer)	2,680,855
Wet Mountain Fire (Volunteer)	402,015
Wiggins Fire (Volunteer)	347,664
Wiley Rural Fire Protection District (Volunteer)	59,594
Woodmoor - Monument Fire	297,377
Yampa Fire Protection District (Volunteer)	230,357
Yuma Fire (Volunteer)	210,332
Unallocated Accruals	438,557
Total Net Assets By Participant	\$1,523,641,596

* *New Affiliation in 2002*

Payments to Consultants

Actuarial Consultants	
Buck Consultants	\$ 174,885
Auditors	
Bondi & Co. LLP	31,225
Investment Counsel	
Pension Consulting Alliance	147,500
Legal & Legislative Counsels	
Gorsuch Kirgis LLP	63,798
Christensen, White, Miller & Fink	14,457
James E. Christensen	19,000
Stealy II, Inc.	10,500
Medical Consultant	
Roderic Gottula, M.D.	29,758
Total Payments to Consultants	\$ 491,123

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES — December 31, 2002

(With Comparative Totals for December 31, 2001, 2000, 1999, 1998, and 1997)

<i>Expense Group</i>	2002	2001	2000	1999	1998	1997
PROFESSIONAL CONTRACTS						
Actuarial Contract	174,885	141,547	141,352	197,700	130,000	107,707
Audit Fees	31,225	30,000	29,000	28,000	27,000	28,000
Computer Maintenance & Lease	92,150	140,483	67,494	87,602	120,653	72,047
Insurance & Bonding	91,770	87,394	84,942	79,516	91,889	73,702
Legal & Legislative Counsel	109,660	77,946	92,500	100,000	90,301	95,046
Management Consulting	4,720	30,000	2,500	20,000	37,492	17,241
Medical Exam Fees	130,642	117,717	150,100	154,214	133,500	84,734
Hearing Officers - D&D	3,947	6,980	4,274	2,966	5,215	18,349
Outside Svcs/Contract Help	16,931	8,277	3,144	4,934	1,296	949
Records Management	5,254	5,701	6,313	51,400	4,289	4,417
<i>Total Professional Contracts</i>	<i>661,184</i>	<i>646,045</i>	<i>581,619</i>	<i>726,332</i>	<i>641,635</i>	<i>502,192</i>
PERSONNEL SERVICES						
Salaries	1,581,473	1,572,031	1,426,576	1,373,899	1,254,737	1,038,733
Employee Benefits	350,602	258,869	300,238	330,316	287,588	250,929
Employment Programs	9,562	14,624	15,553	10,883	7,268	28,025
<i>Total Personnel Services</i>	<i>1,941,637</i>	<i>1,845,524</i>	<i>1,742,367</i>	<i>1,715,098</i>	<i>1,549,593</i>	<i>1,317,687</i>
STAFF EDUCATION						
Tuition Assistance Program	14,088	8,691	16,466	11,192	12,165	9,765
Conferences & Seminars	28,599	28,241	32,762	28,570	30,133	24,672
<i>Total Staff Education</i>	<i>\$42,687</i>	<i>\$36,932</i>	<i>\$49,228</i>	<i>\$39,762</i>	<i>\$42,298</i>	<i>\$34,437</i>
OTHER OPERATING EXPENSES						
Company Vehicles	\$3,931	\$7,251	\$7,200	\$7,017	\$2,202	\$2,336
Board Expenses	74,379	78,343	84,492	86,765	80,390	68,401
Data Processing Supplies	15,182	13,396	13,151	13,198	10,467	8,288
Equipment Rental & Maint.	36,644	39,495	37,524	19,755	21,353	13,531
Meetings & Travel	28,172	24,584	24,659	28,138	21,296	10,031

See the accompanying independent auditor's report

<i>Expense Group</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
OTHER OPERATING EXPENSES (cont'd)						
Operating Exp. Two DTC	88,742	8,913	13,418	0	25,930	5,057
Other (misc.)	984	1,299	2,200	1,368	3,932	2,329
Postage	63,744	62,590	55,414	50,605	42,781	38,937
Printing & Mailing	143,412	137,942	131,646	88,099	90,916	54,837
Retirement Services	14,197	14,246	8,862	16,619	4,562	9,383
Staff Expense	4,960	5,323	5,255	5,227	4,716	3,477
Subscriptions & Dues	8,674	15,092	16,000	15,858	14,088	13,828
Supplies	30,507	35,732	54,249	38,592	46,164	41,267
Telephone	20,981	23,219	17,282	18,815	18,557	17,315
<i>Total Other Operating Expense</i>	<i>534,509</i>	<i>467,425</i>	<i>471,352</i>	<i>390,056</i>	<i>387,354</i>	<i>289,017</i>
TOTAL OPERATING EXPENSE	3,180,017	2,995,928	2,844,566	2,871,248	2,620,880	2,143,333
Depreciation Expense	140,759	126,085	155,555	127,967	131,092	129,996
TOTAL ADMINISTRATIVE EXPENSE	3,320,776	3,122,013	3,000,121	2,999,215	2,751,972	2,273,329
CAPITAL EXPENDITURES	55,386	223,543	21,471	71,113	53,638	105,886
TOTAL ADMINISTRATIVE EXPENSE AND CAPITAL	\$3,376,162	\$3,345,556	\$3,021,592	\$3,070,328	\$2,805,610	\$2,379,215

<i>Expense Group</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
INVESTMENT FEES						
Investment Counsel	\$175,000	\$177,499	\$142,501	\$90,000	\$90,000	\$90,305
Investment Mgmt. Fees	5,028,068	4,422,092	4,925,713	4,814,483	4,209,531	3,487,427
Alternative Investment Legal Fees	14,457	46,277	21,230	48,777	68,272	0
Real Estate Mgmt. Fees	0	0	0	0	0	72,722
Bank Fees	371,514	379,146	384,146	206,506	204,324	221,456
<i>Total Investment Fees</i>	<i>5,589,039</i>	<i>5,025,014</i>	<i>5,473,590</i>	<i>5,159,766</i>	<i>4,572,127</i>	<i>3,871,910</i>

See the accompanying independent auditor's report

*This section of the
comprehensive
annual financial report
has been prepared by
the Investment Division
of the Fire & Police Pension
Association of Colorado.*

Bill Morris, Chief Investments Officer

The mission of the Fire and Police Pension Association – to provide for the retirement needs of police officers and firefighters throughout the State of Colorado – is facilitated by the management of various fund investment portfolios, which totaled \$2.082 billion in market value as of December 31, 2002. Specifically, the Association is responsible for managing three separate retirement funds: the Members' Benefit Fund, the Members' Money Purchase Plan Benefit Fund, and the Members' Statewide Money Purchase Plan Benefit Fund ("the funds").

The Members' Benefit Fund includes the assets of various defined benefit plans designed to supply participants with a specified benefit after retirement, which is calculated as a percentage of the participant's salary. In contrast, The Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund include the assets of various defined contribution plans. In these plans, members direct the investment of their contributions among various investment options. The amount received at retirement depends on the performance, over time, of those options chosen.

The Members of the Association's Board of Directors serve as the fiduciaries for the funds and are responsible for the investment of the funds, or the selection of investment options available to money purchase plan members. As fiduciaries, the FPPA Board Members are required to discharge their duties solely in the interest of fund participants and beneficiaries. The Board has established investment policies and allocates assets, or selects investment options, based upon member characteristics, plan provisions, and the financial requirements of the fund, in addition to considering the risk/reward trade-offs of various investments.

The Association has established long range statements of investment objectives and policies for managing and monitoring the funds. The investment policies establish investment objectives and define the responsibilities of the fiduciaries with respect to the funds, their investment authority under Colorado law, the level of acceptable risk for investments, statutory asset allocation restrictions, investment performance objectives, and guidelines within which outside investment managers must operate.

The assets in the Members' Benefit Fund are managed primarily by professional investment management firms. Similarly, investment options offered to money purchase plan members are typically pooled investment vehicles managed by professional money managers.

The Association's investment staff coordinates and monitors the investments and fund options, and assists the Board of Directors in the formulation and implementation of investment policies and long-term investment strategies. The investment staff is also responsible for the contents of this report. To the extent applicable, investment managers are required to report results in conformance with standards developed by the Association for Investment Management and Research (AIMR). In addition, however, both FPPA and its custodian bank independently calculate investment returns based upon market values and cash flows reported by the custodian bank. FPPA has utilized the returns calculated by its investment staff in this report.

Members' Benefit Fund

Summary of Investment Objectives

The Board, in developing investment objectives, asset allocation, and investment guidelines, recognizes that the Members' Benefit Fund ("the fund") includes the assets of nearly 200 different benefit plans, all having a different funded status. To manage these assets effectively and prudently, the Board has, in its planning process, considered, and will continue to consider, all of the plans' liabilities, both present and projected.

The investment objectives of the Board represent desired results and are long-term in nature. Given assumptions about current and projected capital market conditions, a real rate of return objective for plan assets has been set. This objective may be modified based on changes in plan conditions or the nature of the capital markets.

The overall objective of the Fund is to balance and prudently manage the investment needs (risks and return) of all plans participating in the fund, including the need to eliminate current unfunded liabilities and/or to protect surpluses, if possible. This objective is expected to be achieved over time and within any applicable statutory limits.

The Board has established the following minimum average annual real rate of return objectives for each asset class in which the fund is invested: Core Domestic Equities 6%, Small Cap. Domestic Equities 7.5%, Core Domestic Fixed Income 3%, High Yield Domestic Fixed Income 6%, International Equities 6%, Real Estate 5%, Alternative Investments 12%.

FPPA's investment objectives and policies are reviewed at least annually. Return targets are expected to be achieved "over time," meaning every successive 3-5 year period. Further, the Board expects the objectives to be fulfilled within levels of risk that a prudent investor, as defined by statute, would take under similar conditions. Additionally, the Board expects the actuarial soundness of the plans participating in the fund, as it relates to the achievement of the actuarial interest rate, will not be jeopardized.

Each professional investment management firm retained by the Board to manage a separate account must execute an Investment Manager Agreement, the form and substance of which is mutually agreed upon. Each of these firms must also agree, in writing, to abide by the policies and guidelines of the Association's investment policy and any additional instructions specific to that particular investment firm.

Investment management firms may be allowed sole discretion with respect to investment decision making, subject at all times to the standards and limitations set forth in CRS 31-31-302 and CRS 15-1.1-101, et seq. The management firm must follow its stated selling discipline, as presented to the Board. Each management firm must assume the responsibility of continued compliance with any changes in legislation approved in the State of Colorado that may impact the management of the fund.

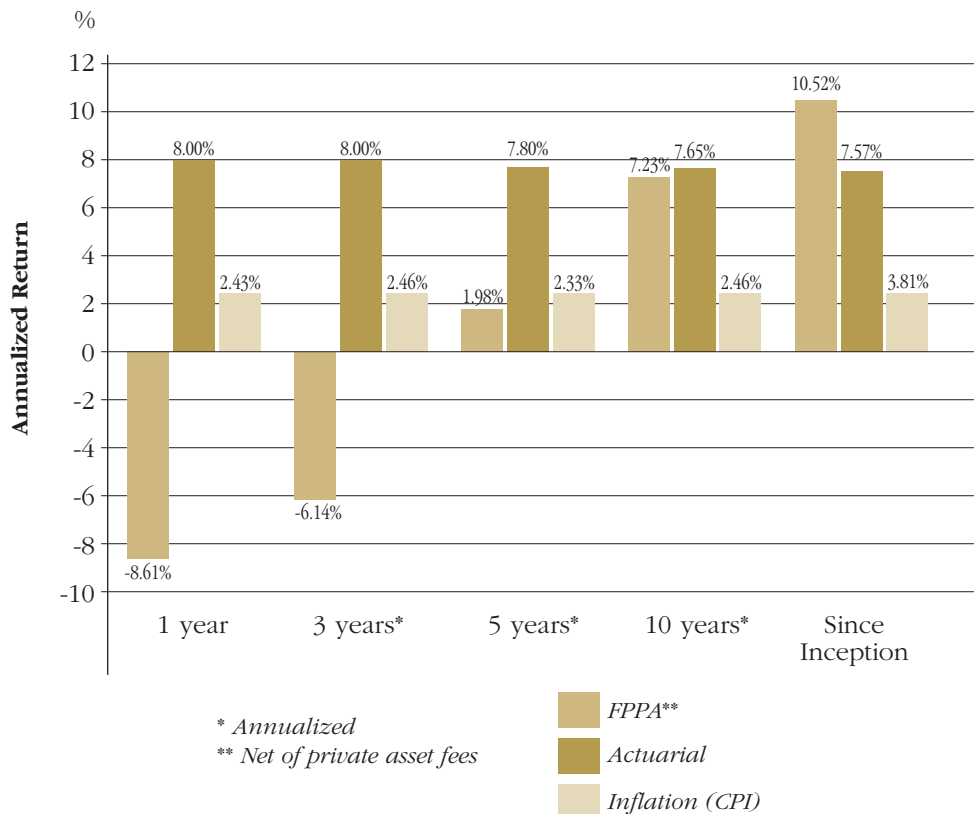
Cash held by an investment manager is subject on a daily basis to the custodian bank's short-term investment fund. In addition, unless agreed to between the Board and the manager, equity managers should hold no more than 10% of FPPA's accounts in cash or cash equivalents. Unless explicitly permitted by FPPA asset class guidelines, commingled funds of any manager may not be used without prior approval of the Board. Securities that are assets of the fund may not be utilized in securities lending programs without prior approval of the Board.

It is the philosophy of the Board that the investment managers, the Board, the Chief Investment Officer, the Chief Executive Officer and the consultant retained by the Board, shall engage in an active partnership to focus on the long-term objectives and goals of the fund. Therefore, periodic review meetings are held to evaluate the managers' progress as it relates to achievement of long-term policies. Performance evaluations are constructed to provide a uniform and consistent basis for the evaluation of each manager as well as the total fund. The total fund results, as well as those of each manager, will be evaluated against several benchmarks including, but not limited to: the achievement of the real rate of return objective, comparison against the performance of other tax-exempt funds, and evaluation against indices. Each manager is evaluated on an on-going basis with evaluations conducted for the most meaningful periods of time within the year, one-year, three-year, and five-year periods ending with the most recent quarter.

Asset Allocation

Asset allocation is a risk management process designed to determine an optimal long-term asset mix, which achieves a specific set of investment objectives. Of all the components of investment policies formulated by the

FPPA Fund Return vs. Inflation and Actuarial Requirements (inception - 2002)



FPPA Board of Directors, asset allocation will have the most impact on the long-term total rate of return. Therefore, the establishment of allocations across the major asset classes is a significant decision in the pension investment management process.

Diversification is the key to effective risk management. Management of asset class allocations and diversification of investment approaches (i.e., index funds, active core, active specialty) is enabling the Association to more effectively control the fund's risk/reward parameters. The fund's assets are diversified in order to minimize the impact of large losses in individual investments in the total fund. The Board believes that diversification is, in part, accomplished through the selection of investment managers. The Board therefore stresses to each investment management firm that it not act as if it were the sole manager of the fund.

The Board's policy is to have an asset allocation study performed approximately every two to three years. The purpose of this study is to provide additional information regarding the rates of return by asset class, correlation coefficients between asset classes, and to provide a source of information for the Board to utilize in determining asset allocation ranges.

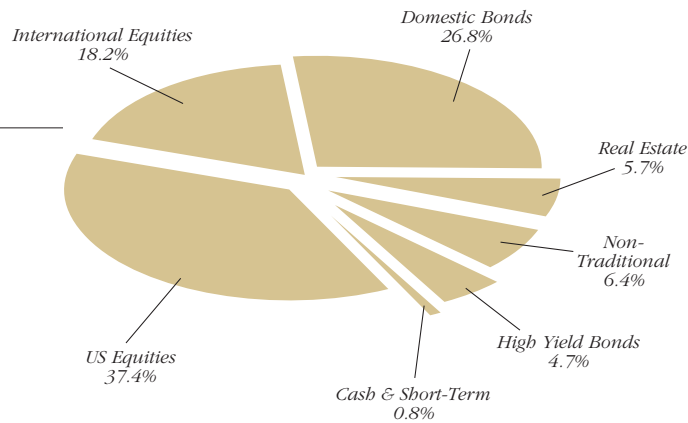
The Board is conscious of the need to evaluate the risk in the investment program and uses several gauges to monitor risk. They include, but are not limited to, variation in the asset mix from the policy, variability of returns, relative performance results, diversification measures, financial characteristics of the portfolio, and portfolio sensitivity to changes in the market. These measures are applied to the total fund, as well as individual managers, as appropriate.

The asset class allocation strategy developed by the Board during 2002 has the following target allocations: U.S. equities 38%, international equities 18%, domestic core plus bonds 26%, domestic high yield bonds 3%, real estate 6%, cash and short-term investments 1%, and non-traditional investments 8%.

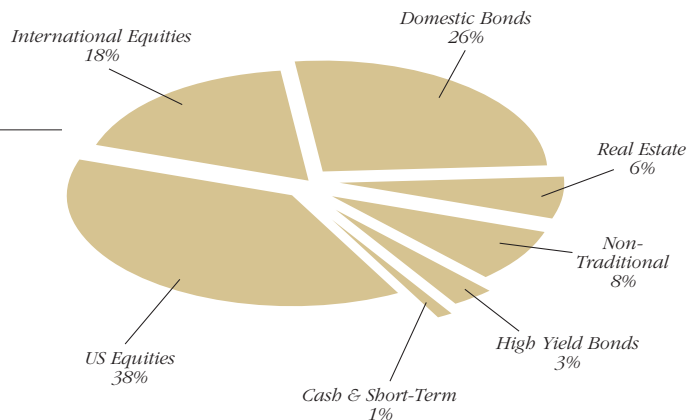
The Association has established relationships with investment management firms with a diversity of management approaches. The managers have discretionary authority in the selection and retention of individual investments, subject to state statutory restrictions and the Association's investment policy guidelines.

For the Members' Benefit Fund, as of December 31, 2002, the Association employed the external investment managers listed in the table on page 60.

2002 Asset Allocation



2002 Target Asset Allocation



Members' Money Purchase Plan Benefit Fund and Members' Statewide Money Purchase Plan Benefit Fund

Summary of the Funds' Objectives

The Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund ("the funds"), include the assets of the Statewide Money Purchase Plan and affiliated local money purchase plans ("the plans"). Plan documents require that employer contributions to these plans be invested in the Members' Benefit Fund, detailed in the previous section. Members of the plans, however, may direct their employee contributions to one or more of the investment options selected by the Board.

It is the Board's intent to select well managed funds, across diversified asset classes, as investment options for members participating in the plans. In doing so, the Board will comply with the requirements of Colorado law governing its selection of investment options for such members, and pursuant to the funds' master statement of investment policies and objectives, while at the same time seeking to delegate its fiduciary liability to the extent prudent.

In order to provide members with the opportunity to select risk/reward strategies to meet their savings and investment goals, the Board will provide fund options with distinctly different risk/reward trade-offs, each holding securities that are, in the majority, exclusive of the other managers. To this end, the Board's policy is to have a study of investment options performed approximately every two years. The purpose of this study is to provide updated information regarding the risk/reward profiles of current fund options, as well as alternative fund options across various asset classes. This information will be utilized by the Board in determining appropriate fund options.

Members make their own decisions when directing the investment of their contributions and accumulated account balances among the investment options offered. Members assume the risk of investment results derived from both the options offered and the strategies they select. It is the member's responsibility to allocate and reallocate assets among investment options as personal circumstances change. The options offered allow the members to address the risks and needs members face.

Fund Options for Members

As with any investment strategy, diversification is the key to effective risk management. Consequently, FPPA's Board of Directors has selected a variety of funds across various asset classes from which members can select investment options. Within the funds, one or more pooled investment vehicles are offered in the following asset classes: Stable Value (GIC), Domestic Bond, Domestic Balanced, Domestic Equity, Global Equity, and International Equity.

For the funds, as of December 31, 2002 the Association employed the investment managers and the investment options listed in the table on page 96.

FPPA selected Fidelity Investments® to provide recordkeeping and investment management services for FPPA's 457 Deferred Compensation Plan, Statewide Money Purchase Plan, and the local money purchase plans affiliated with FPPA effective May 1, 2001. Fidelity Investments® provides members with new investment options, convenient access to account information, more flexibility, and increased access to investment education. New services available to members include internet account access and automated phone service. Fidelity Investments® provides members with 16 investment options across various asset classes including six life-cycle funds. The Fidelity Freedom® life-cycle funds are designed for investors who want a simple approach to investing by investing in a group of other Fidelity mutual funds that provide moderate asset allocation. Each Freedom Fund® offers a different investment horizon and asset allocation strategy based on a target retirement date.

Investment Summary

<i>Investment Type</i>	<i>Market Value</i>	<i>% of Total</i>
Fixed Income		
Government bonds	\$182,880,953	8.79%
Corporate bonds	417,153,316	20.04%
Commingled funds	20,285,525	0.97%
Total bonds	620,319,794	29.80%
Preferred stock	37,338,283	1.79%
<i>Total fixed income</i>	<i>\$657,658,077</i>	<i>31.59%</i>
Common Stock		
Consumer Discretionary	\$68,489,046	3.29%
Consumer Staples	45,179,510	2.17%
Energy	41,163,360	1.98%
Financials	100,607,003	4.83%
Health Care	50,164,401	2.41%
Industrials	37,232,420	1.79%
Information Technology	31,889,304	1.53%
Materials	27,935,698	1.34%
Telecommunication	32,220,060	1.55%
Utilities	21,027,417	1.01%
Other	21,110,062	1.01%
Commingled Funds	656,451,858	31.53%
<i>Total common stock</i>	<i>\$1,133,470,139</i>	<i>54.45%</i>
Alternative investments		
Real estate	\$86,592,857	4.16%
Timberland	32,344,489	1.55%
Venture capital	128,435,627	6.17%
<i>Total alternative investments</i>	<i>\$247,372,973</i>	<i>11.88%</i>
Short-term investments		
*Cash & Cash Equivalents	\$43,165,041	2.07%
<i>Total cash & cash equivalents</i>	<i>\$43,165,041</i>	<i>2.07%</i>
	\$2,081,666,230	100.00%

* Includes net pending trades

Asset Allocation by Category & Investment Manager

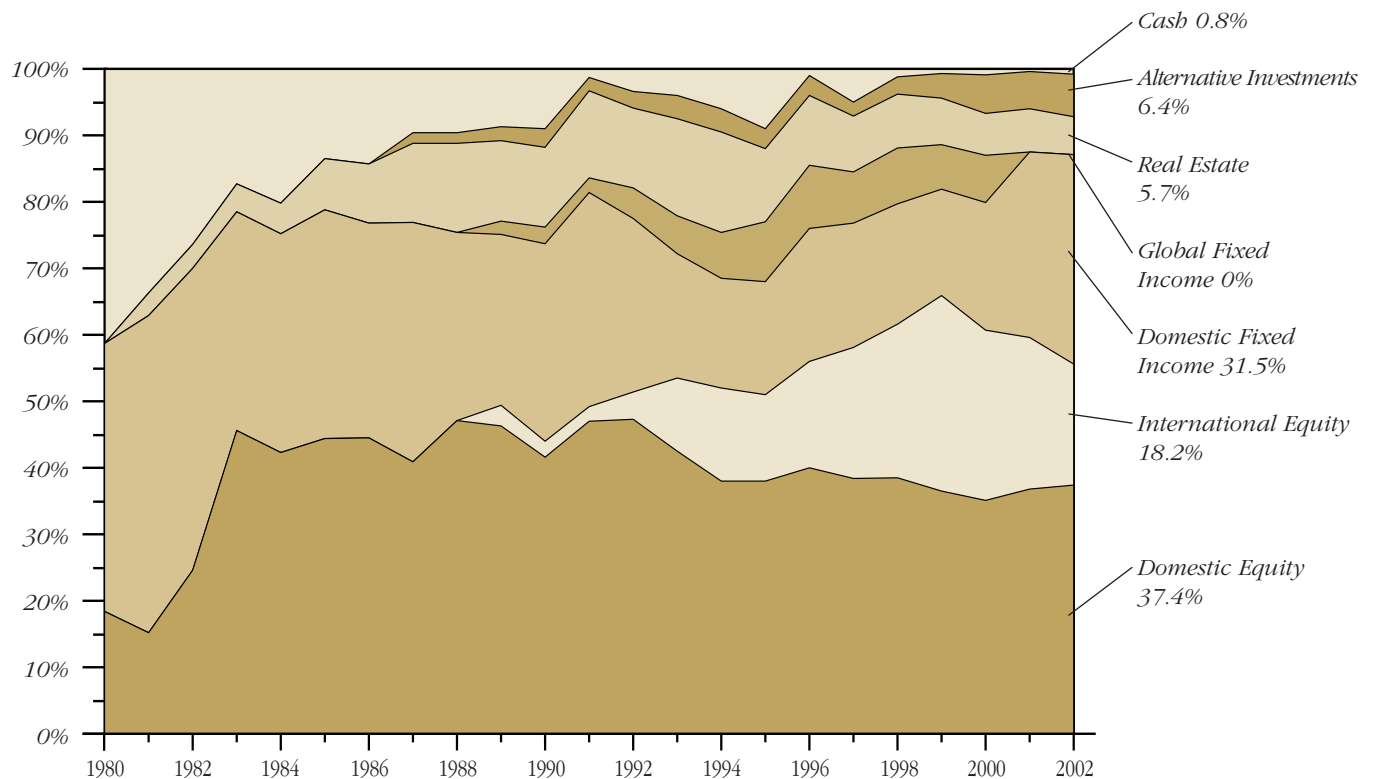
ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
Domestic Equities				
TH&B	Small Cap Core	\$825,208	\$ 81,375,430	3.91%
SSGA S&P/Barra Growth	S&P/Barra Growth Index	24,430 **	148,110,665	7.12%
SSGA S&P/Barra Value	S&P/Barra Value Index	9,526 **	95,418,003	4.58%
SSGA S&P 500	S&P 500 Index	35,662 **	410,388,855	19.71%
Brandywine	Small Cap Value	247,315	<u>43,504,475</u>	<u>2.09%</u>
<i>Total Domestic Equities</i>			<i>\$ 778,797,428</i>	<i>37.41%</i>
Domestic Fixed Income				
Bradford & Marzec, Inc.	Active	362,785	171,344,754	8.23%
Trust Company of the West	High Yield	523,119	98,834,910	4.75%
PIMCO	Active	550,747	194,157,384	9.33%
Western Asset Mgmt	Active	426,317	<u>191,861,965</u>	<u>9.22%</u>
<i>Total Domestic Fixed</i>			<i>\$656,199,014</i>	<i>31.52%</i>
International Equities				
Baillie Gifford Overseas Ltd.	Active Emerging Markets	26,545	20,034,113	0.96%
Jarislowsky Fraser Ltd.	Active EAFE Index	236,447	43,791,784	2.10%
Morgan Stanley	Active/Passive EAFE	450,894	120,886,044	5.81%
Putnam International	Active EAFE	706,045	171,606,090	8.24%
Rexiter Capital Management	Active Emerging Markets	35,202	<u>22,103,594</u>	<u>1.06%</u>
<i>Total International Equities</i>			<i>\$378,421,625</i>	<i>18.18%</i>
Real Estate				
PM Realty Advisors	Directly Owned	*	19,675,453	0.95%
JP Morgan Fleming	Pooled	*	15,385,280	0.74%
PRISA	Pooled	*	16,360,832	0.79%
RREEF	Pooled	*	15,354,383	0.74%
Hancock Timber	Timberlands	*	32,344,489	1.55%
Apollo RE	Opportunistic	*	10,696,641	0.51%
Blackstone RE	Opportunistic	*	6,711,972	0.32%
Internal	Directly Owned	*	<u>2,408,296</u>	<u>0.12%</u>
<i>Total Real Estate</i>			<i>\$118,937,346</i>	<i>5.71%</i>
Alternative Investments				
ABS Capital Partners II		*	891,280	0.04%
Apollo Investment Fund IV		*	8,619,568	0.41%
ARCH Venture V		*	2,099,991	0.10%
Aurora Equity Partners II		*	8,493,462	0.41%
Blackstone Capital Partners III		*	6,849,179	0.33%
Boston Ventures V		*	3,307,709	0.16%
Candover Partners		*	5,808,515	0.28%
Centennial Funds		*	2,123,838	0.10%
Charles River Partnership VI		*	212,217	0.01%
Chisholm Funds		*	10,858,657	0.52%
Coller International Partners IV		*	195,943	0.01%
Columbine Venture Fund II		*	733,440	0.04%
CVC European Equity III		*	1,699,696	0.08%
Doughty Hanson & Co. Funds		*	5,524,396	0.27%
First Reserve Funds		*	12,146,180	0.58%
Glenwood Ventures II		*	21,922	0.00%

ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
Hancock Falcon Ventures		*	336,480	0.02%
Hancock Intl Venture		*	891,425	0.04%
Harvest Funds		*	7,421,292	0.36%
Heritage Funds		*	4,484,062	0.22%
Larimer Venture II		*	265,370	0.01%
Lumina Ventures LP		*	750,000	0.04%
Matlin Patterson Global Opptys		*	6,461,063	0.31%
Nordic Capital III		*	8,572,659	0.41%
Oxford Bioscience IV		*	1,012,761	0.05%
SKM Equity Fund II		*	7,322,763	0.35%
Sprout Capital Partners Funds		*	3,113,249	0.15%
TCW Special Credits Fund III		*	86,285	0.00%
Thomas H. Lee Equity Funds		*	5,124,953	0.25%
TPG Partners Funds		*	10,434,740	0.50%
Vestar Funds		*	6,203,687	0.30%
Willis Stein Partners		*	1,296,809	0.06%
<i>Total Alternative Investments</i>			<i>\$ 133,363,588</i>	<i>6.41%</i>
Cash Held at State Street			\$15,947,229	0.77%
TOTAL ASSETS			\$2,081,666,230	100%

* Fees netted against trust fund income

** Fees net of securities lending income

FPPA Asset Allocation 1980-2002 - Members' Benefit Fund



"Top 20" Equity Holdings*

<i>Company</i>	<i>Market Value</i>
NESTLE SA	\$9,030,756
VODAFONE GROUP	\$8,649,871
TOTAL FINA ELF	\$8,164,332
NOVARTIS AG	\$7,824,175
GLAXOSMITHKLINE	\$7,792,405
HSBC HLDGS	\$6,892,634
ASTRAZENECA	\$6,492,377
TOYOTA MOTOR CORP	\$5,615,495
SANOFI SYNTHELABO	\$5,572,203
SHELL TRNSPT+TRDG	\$5,279,448
BP PLC	\$5,039,624
ING GROEP NV	\$5,026,684
NTT DOCOMO	\$4,486,297
DIAGEO	\$4,151,255
CANON INC	\$3,879,749
NOKIA (AB) OY	\$3,574,624
ROYAL BK SCOT GRP	\$3,267,622
TAKEDA CHEM INDS	\$3,042,790
UBS AG	\$2,940,539
ENI	\$2,932,586

"Top 20" Fixed Income Holdings*

<i>Company</i>	<i>Description</i>	<i>Market Value</i>
GNMA I TBA JAN 30 SINGLE FAM	15 Dec 2099	\$66,042,915
GNMA I TBA JAN 30 SINGLE FAM	15 Dec 2099	\$22,233,750
UNITED STATES TREAS BDS	15 Nov 2016	\$9,489,546
UNITED STATES TREAS NTS	15 Jan 2011	\$9,374,565
FED HM LN PC	01 Nov 2017	\$8,803,971
UNITED STATES TREAS NTS	15 Jan 2008	\$8,692,471
GNMA POOL 569799	15 May 2032	\$8,255,817
FNMA POOL	01 Jul 2032	\$7,734,391
FNMA TBA JAN 30 SINGLE FAM	01 Dec 2099	\$7,675,265
GNMA I TBA JAN 30 SINGLE FAM	15 Dec 2099	\$7,395,511
UNITED STATES TREAS BDS	15 Apr 2029	\$6,967,586
UNITED STATES TREAS BDS	15 Feb 2031	\$5,745,145
FNMA POOL	01 Sep 2031	\$5,122,322
GERMANY (FEDERAL REPUBLIC)	04 Jan 2011	\$5,105,559
FHLMC TBA JAN 30 GOLD SINGLE	01 Dec 2099	\$4,354,328
NEW ZEALAND GOVERNMENT OF	15 Apr 2013	\$4,046,498
SWEDEN KINGDOM OF	15 Jan 2004	\$3,841,334
CHASE MTG FIN CORP	25 Mar 2025	\$3,544,318
WEYERHAEUSER CO	15 Mar 2005	\$3,370,172
AMERICAN SOUTHWEST FINL SECS	25 Nov 2038	\$3,037,973

* excludes index funds

NOTE: Space and cost restrictions make it impractical to print the entire investment portfolio in this report. A portfolio listing is available for review at FPPA's office.

Fund Performance Summary as of December 31, 2002

<i>Series Name benchmark indices</i>	<i>1 year Return %</i>	<i>3-year Return* %</i>	<i>5-year Return* %</i>
FPPA Total Fund**	(8.61)%	(6.14)%	1.98%
Domestic Equity Accounts	(19.56)	(11.52)	(0.75)
Russell 3000 Stock Index	(21.54)	(13.69)	(0.71)
International Equity Accounts	(15.45)	(15.56)	(0.98)
MSCI All Country World	(14.67)	(16.45)	(2.66)
Free Ex U.S. Index	(14.67)	(16.45)	(2.66)
All Equity Accounts	(17.89)	(13.22)	(0.76)
Domestic Fixed Inc. Accounts	8.55	8.32	6.62
Lehman Brothers Aggregate Index	10.25	10.10	7.55
Lehman Brothers Universal Index	9.83	9.58	6.92
All Fixed Inc. + Cash Eq.	8.32	6.94	5.85
All Real Estate Accounts**	0.92	3.68	5.56
All Alternative Accounts**	(3.89)	(0.60)	2.67

* *Annualized*

** *Net of private asset fees*

Schedule of Brokerage Commissions

Broker Name	Commission	Shares	Per Share
MERRILL LYNCH + CO INC	\$39,998	34,453,956	0.00
PERSHING DIV OF DLJ	3,281	20,786,000	0.00
CREDIT SUISSE FIRST BOSTON	95,287	13,350,101	0.01
AUTRANET	1,308	6,914,100	0.00
UBS AG	122,753	6,648,585	0.02
GOLDMAN SACHS + CO	76,370	3,720,252	0.02
DEUTSCHE ALEX BROWN LONDON	61,692	3,582,038	0.02
LYNCH JONES AND RYAN INC	110,117	3,256,587	0.03
LEHMAN BROTHERS	34,850	2,863,013	0.01
DONALDSON, LUFKIN & JENRETTE SECURITIES	6,591	2,791,600	0.00
CREDIT LYONNAIS SECURITIES (USA) INC	16,254	2,471,420	0.01
FRANK RUSSELL	50,378	2,439,789	0.02
MORGAN STANLEY AND CO. INTERNATIONAL	68,694	2,076,281	0.03
BOSTON INSTITUTIONAL SERVICES,INC	858	2,000,000	0.00
INVESTMENT TECHNOLOGY GROUP INC.	22,629	1,331,543	0.02
ABN AMRO	15,886	1,215,365	0.01
ISI GROUP INC	760	1,173,200	0.00
EXECUTION LIMITED	6,782	979,739	0.01
SALOMON BROTHERS INC, NY	18,013	932,978	0.02
BANCO BBACREDITANSTALT S.A.	1,660	800,000	0.00
KLEINWORTBENSON INTERNATIONAL	5,536	763,804	0.01
SG COWEN SECURITIES CORP	5,363	692,597	0.01
BHF SECURITIES CORPORATION	6,076	632,725	0.01
BLOOMBERG	2,834	605,464	0.00
BEAR STEARNS + CO INC	10,203	584,142	0.02
SANFORD CBERNSTEIN CO LLC	7,636	554,208	0.01
B-TRADE SERVICES LLC	13,322	540,357	0.02
JEFFERIES COMPANY INC	13,125	535,024	0.02
STATE STREET BROKERAGE SERVICES	13,170	440,769	0.03
JP MORGAN SECURITIES INC	12,686	342,579	0.04
CHASE MANHATTAN	639	311,600	0.00
JONES & ASSOCIATES INC	10,063	308,514	0.03
SVENSKA HANDELSBANKEN	6,825	279,869	0.02
LIQUIDNET INC	5,263	263,174	0.02
CANTOR FITZGERALD + CO.	12,437	259,100	0.05
BARING SECURITIES (HONG KONG)	655	250,000	0.00

Continued on next page

Investment Section

BROKERAGE COMMISSIONS

FRIEDMAN BILLINGS + RAMSEY	3,565	242,800	0.01
BAIRD, ROBERT W., & COMPANY INCORPORATED	8,321	217,700	0.04
NOMURA BANK INTERNATIONAL PLC	5,720	198,672	0.03
WARBURG DILLION READ (ASIA) LTD	4,336	186,928	0.02
CAZENOVE + CO	3,009	184,723	0.02
FIRST UNION CAPITAL MARKETS	6,334	168,500	0.04
BANCO SANTANDER CENTRAL HISPANO	3,497	149,513	0.02
DRESDNER BANK - KLEINWORT BENSON	4,798	138,819	0.03
ING BANK	2,192	135,000	0.02
INSTINET	1,895	120,761	0.02
BROCKHOUSE + COOPER, INC.	2,092	103,340	0.02
CANADIAN IMPERIAL BANK OF COMMERCE	3,993	102,787	0.04
MORGAN GRENFELL AND CO LIMITED	167	99,540	0.00
MORGAN KEEGAN & CO INC	3,733	90,600	0.04
BANK OF AMERICA S.F.	2,073	89,046	0.02
BARNARD JACOBS MELLETT AND CO (PTY)	908	88,956	0.01
CIBC WOODGUNDY	2,824	88,623	0.03
VERITAS SECURITIES	4,323	88,000	0.05
NEEDHAM + COMPANY	3,715	84,600	0.04
PUNK ZIEGEL AND KNOLL	3,403	80,400	0.04
HOWARD WEIL DIVISION LEGG MASON	3,935	78,700	0.05
WILLIAM BLAIR & COMPANY, L.L.C	2,199	77,800	0.03
MIZUHO SEC	686	72,900	0.01
INTERMOBILIARE SECURITIES SIM SPA	830	72,750	0.01
SPEAR, LEEDS & KELLOGG	2,650	68,900	0.04
JANNEY MONTGOMERY, SCOTT INC	3,474	57,900	0.06
BNY BROKERAGE INC	2,735	54,700	0.05
SUNTRUST CAPITAL MARKETS INC	1,061	53,300	0.02
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	2,878	53,100	0.05
CAPITAL INSTITUTIONAL SERVICES	3,162	52,700	0.06
SK INTERNATIONAL SECURITIES	1,671	50,800	0.03
SANDLER ONEILL + PART LP	1,421	50,100	0.03
All Other Brokerage Firms (<50,000 Shares)	63,761	1,475,637	0.04
TOTALS	\$1,041,356	126,029,068	0.02

**BUCK
CONSULTANTS**

1200 17th Street, Suite 1200
Denver, Colorado 80202

May 12, 2003

Board of Directors
Fire and Police Pension Association
5290 DTC Parkway, Suite 100
Englewood, CO 80111

Re: Actuarial Certification of Defined Benefit Plans

Dear Members of the Board:

This letter certifies the actuarial valuations of the FPPA Statewide Defined Benefit Plan, the Statewide Death & Disability Plan, FPPA local affiliated old and new hire plans, and affiliated volunteer fire plans.

For each plan, a contribution rate has been determined which will provide for funding as shown in the following table:

Plan	Funding Objective
Statewide Defined Benefit	Current cost plus level dollar amortization of unfunded liability over 30 years
Death & Disability Plan	Fully funded
Affiliated Local Old Hire and New Hire Plans	Current cost plus level dollar amortization of unfunded liability over varying periods up to 26 years
Affiliated Volunteer Fire Plans	Current cost plus level dollar amortization of unfunded liability over 20 years

The affiliated plans are valued every two years, while the statewide plans are valued each year. This fund objective is currently being realized for all plans. The volunteer fire plans were last valued as of January 1, 2001. The statewide plans and local affiliated old and new hire plans were most recently valued as of January 1, 2002. The state assisted local paid pension plans were valued as of January 1, 2002, per statutory requirement. The valuations are performed based on data provided by FPPA's administrative staff, with an examination of the data for reasonableness. The supporting schedules in this actuarial section were prepared by FPPA from information in Buck's actuarial reports. We have reviewed these schedules for their accuracy. Buck is responsible for the trend data schedules presented in the financial section of this report. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*.

We believe that the support schedules fully and fairly disclose the actuarial conditions of the plans.

Sincerely,



William B. Fonia, FSA, MAAA, EA
Principal and Consulting Actuary



Diane L. Hunt, FSA, MAAA, EA
Associate Principal, Consulting Actuary

/mlp

Buck Consultants, Inc.
720 | 359-7700 Fax 720 | 359-7701

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General Information

As of December 31, 2002 the Members' Benefit Fund of the Fire and Police Pension Association was comprised of the following individual plans: the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Statewide Money Purchase Plan, 57 local paid pension plans, 4 local money purchase plans, and 162 volunteer firefighters pension plans. An independent actuarial firm is hired by the Association to perform annual valuations on the two statewide plans, and to perform bi-annual valuations on the local plans. In 2002 the independent actuarial valuation was performed by Buck Consultants.

All of the local paid pension plans have a valuation performed as of January 1 of the even numbered years (2002, 2004, etc.). All of the affiliated volunteer firefighters plans have valuations performed as of January 1 of the odd numbered years (2001, 2003, etc.). The state assisted local paid pension plans have their valuation also updated on the odd numbered years per statutory requirement.

Each of the locally administered plans has a different benefit and member structure. All of the affiliated plans use the actuarial assumptions which have been established by FPPA's Board of Directors.

The following data covers detailed information on the two statewide plans as well as the other affiliated local plans.

Summary of Actuarial Assumptions

The Statewide Defined Benefit Plan was created by state statute to cover all members hired on and after April 8, 1978 for normal retirement benefits. The purpose of the creation of this plan was to close entry to all of the local plans, most of which had significant unfunded liabilities. The statewide plan is a multiple employer, cost-sharing public employee retirement system (PERS). As of December 31, 2002, 161 departments throughout the state were participating in the plan.

The Statewide Death and Disability Plan is a multiple employer cost sharing plan, funded almost exclusively by contributions from the state. This plan was created by state statute, and is designed to provide both on and off-duty coverage for death and disability for all members in the state who have not yet completed the age and service requirements for a normal retirement. As of December 31, 2002, 352 departments were participating in this plan.

The valuation for the Statewide Defined Benefit Plan is then used to determine the normal cost of the plan, and to determine any "excess" contribution amounts which may be allocated to the members' separate retirement accounts (SRAs) for the following year.

Data for the valuation is provided by FPPA's staff from the membership and payroll systems. The data was examined for general reasonableness and consistency with prior years' information by the independent consulting firm but was not audited.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA) and an Enrolled Actuary (EA).

The following economic and non-economic assumptions were adopted by the FPPA Board of Directors and were first used during the January 1, 2000 actuarial valuations.

Economic Assumptions

The investment rate of return for purposes of the actuarial valuation is 8.0% per annum, compounded annually and net of operating expenses. Future inflation is assumed to be 4.0% annually and is included in the active members' salary projections. Thus, the real investment rate of return, net of inflation, is 4.0% per annum.

Active members' salary increases are composed of two pieces, inflation increases and merit increases. As stated above, inflation is assumed to be 4.0% annually. For the statewide plans, merit increases vary by the service of the member but decrease with service. For the other affiliated plans, merit increases vary by length of service of the member but also decrease with age. Retirees and beneficiaries are projected to receive annual cost-of-living increases of 3.0% per year, the maximum allowed under state statute.

Under the Statewide Defined Benefit Plan, social security benefits for supplemental social security departments are assumed to increase by 4.0% annually and the social security wage base is assumed to increase by 5.0% per year. Under the other affiliated plans, paid plan retirees and beneficiaries from limited rank escalation departments are projected to receive annual cost-of-living increases of 4% per annum, compounded annually for benefits accrued prior to January 1, 1980, and 3% per annum thereafter, (maximum permitted by law). Paid plan retirees and beneficiaries from full rank escalation departments are projected to receive annual cost-of-living increases of 4% per annum.

Assets are valued at an actuarial value of assets. The actuarial value of assets is based on a three-year moving average of expected and actual market values.

No new members are projected to be added to the plans.

Non-economic Assumptions

The 1994 Group Annuity Mortality (GAM) Table, loaded by .0004 for firefighters and police experience, is used in the valuation for active members. The 1994 GAM Table, unchanged, is used in the valuation of benefits. For the Statewide Defined Benefit Plan, those benefits are for retirees and their spouses. For the Statewide Death and Disability Plan, those benefits are for occupationally disabled retirees and surviving spouses. The 1983 Railroad Retirement Totally Disabled Annuitant Mortality Table is used in the valuation of benefits for totally disabled retirees. And for the other affiliated plans, those benefits are for volunteer (actives and retirees) and paid retirees and their spouses.

The probabilities of separation from service and disablement are based on paid firefighter and police and volunteer experience, and for disablement reflect the increased probability of injury/disablement due to the hazardous nature of firefighter and police work.

The actuarial method used for the valuation of benefits is specified by state statute to be either the Entry Age Normal or Aggregate Cost Method, with experience gains or losses adjusting the unfunded actuarial accrued liability. State statute does also specify that the Statewide Defined Benefit Pension Fund is not allowed to have an unfunded liability. Therefore, the surplus in the fund is amortized over 30 years from the valuation date and 40 years from January 1, 1980 in the case of the Statewide Death and Disability Plan.

Pre-Retirement Assumptions

Years of Service	Increases in Earnings		
	(Merit)	(Inflation)	(Total)
<1	9.00%	4.00%	13.00%
1	8.50%	4.00%	12.50%
2	8.00%	4.00%	12.00%
3	7.50%	4.00%	11.50%
4	2.50%	4.00%	6.50%
5	2.00%	4.00%	6.00%
6	1.50%	4.00%	5.50%
7	1.00%	4.00%	5.00%
8	0.75%	4.00%	4.75%
9+	0.50%	4.00%	4.50%

Pre-Retirement Assumptions

Sample Ages	Increases in Earnings			Disability Annual Rate Per 1,000 Members		Separation Annual Rate Per 1,000 Members			Death Annual Rate Per 1,000 Members	
	(Merit)	(Inflation)	(Total)	(Paid)	(Volunteer)	(Fire)	(Police)	(Volunteer)	(Male)	(Female)
20	9.00%	4.0%	13.00%	1.20	0.20	58.5	75.0	192.0	0.91	0.68
30	4.00%	4.0%	8.00%	1.52	0.52	29.4	52.5	160.0	1.20	0.75
40	1.50%	4.0%	5.50%	2.94	1.94	8.4	27.0	112.0	1.47	1.11
45	1.00%	4.0%	5.00%	4.00	7.00	13.5	22.5	96.0	1.98	1.37
50	0.75%	4.0%	4.75%	14.00	13.00	23.6	30.0	80.0	2.98	1.83
55	0.50%	4.0%	4.50%	34.40	16.20	33.6	45.0	96.0	4.82	2.69

For Statewide Death and Disability Plan:

Service Retirement:

- 1) Statewide Defined Benefit Plan members - Age 55 and 10 years of service, or current age and service, if greater.
- 2) Money purchase plan members - Age 65 or current age, if greater.
- 3) Denver Police local plan members - Age after 25 years of service, or current age if greater.
- 4) Denver Fire local plan members - Age 50 and 25 years of service or current age if greater.
- 5) All other plan members - Age 52 or current age, if greater.

Post-Retirement Assumptions

Sample Ages	COLA Increases	Social Security (Benefit) (Wage Base)		Full Rank	Limited Rank (Pre 1980) (Post 1980)		Retiree/Surviving Spouse/ Occupational Disability Death Annual Rate Per 1,000 Members (Male) (Female)		Total Disability Death Annual Rate Per 1,000 Members (Unisex)
		4.0%	5.0%		4.0%	3.0%			
20	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	0.51	0.28	10.60
30	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	0.80	0.35	10.60
40	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	1.07	0.71	13.50
45	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	1.58	0.97	20.00
50	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	2.58	1.43	31.64
55	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	4.42	2.29	37.81
60	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	7.98	4.44	42.46
65	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	14.54	8.64	51.20
70	3.0%	4.0%	5.0%	4.0%	4.0%	3.0%	23.73	13.73	67.47

For Statewide Defined Benefit Pension Plan:

Service Retirement: Age 55 and 10 years of service, or current age and service if greater.

Statewide Defined Benefit Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll*	Annual Average Pay	% Increase in Average Pay
1/1/02	3,179	\$ 151,369,850	\$ 47,616	5.04%
1/1/01	3,007	\$ 136,306,027	\$ 45,330	9.51%
1/1/00	2,768	\$ 114,579,015	\$ 41,394	1.59%
1/1/99	2,513	\$ 102,400,344	\$ 40,748	3.69%
1/1/98	2,328	\$ 91,488,829	\$ 39,299	7.52%
1/1/97	2,202	\$ 80,484,109	\$ 36,550	5.14%

* The "Annual Payroll" column reports the total, actual payroll from the prior year.

Development of Actuarial Gain or Loss - 3% COLA for All Members

	Actuarial Accrued Liability (1)	Plan Assets (2)	Unfunded Actuarial Accrued Liability (1 - 2)
January 1, 2001	\$ 380,969,814	\$ 405,598,652	(\$ 24,628,838)
Normal Cost	20,314,885	N/A	20,314,885
Contributions	4,539,625	24,211,332	(19,671,707)
Benefit Payments	(2,402,922)	(2,402,922)	0
Interest on:			
January 1, 2001	30,477,585	32,447,892	(1,970,307)
Normal Cost	1,625,191	N/A	1,625,191
Contributions	181,585	968,453	(786,868)
Benefit Payments	(96,117)	(96,117)	0
	<u>32,188,244</u>	<u>33,320,228</u>	<u>(1,131,984)</u>
Expected January 1, 2002	435,609,646	460,727,290	(25,117,644)
Actual January 1, 2002	424,863,706	428,388,591	(3,524,885)
Preliminary Gain or Loss	10,745,940	32,338,699	(21,592,759)
Excess Return on SRA	(12,726,052)	(12,726,052)	0
Net Gain or Loss	<u>(\$ 1,980,112)</u> Loss	<u>\$ 19,612,647</u> Loss	<u>(\$ 21,592,759)</u> Loss

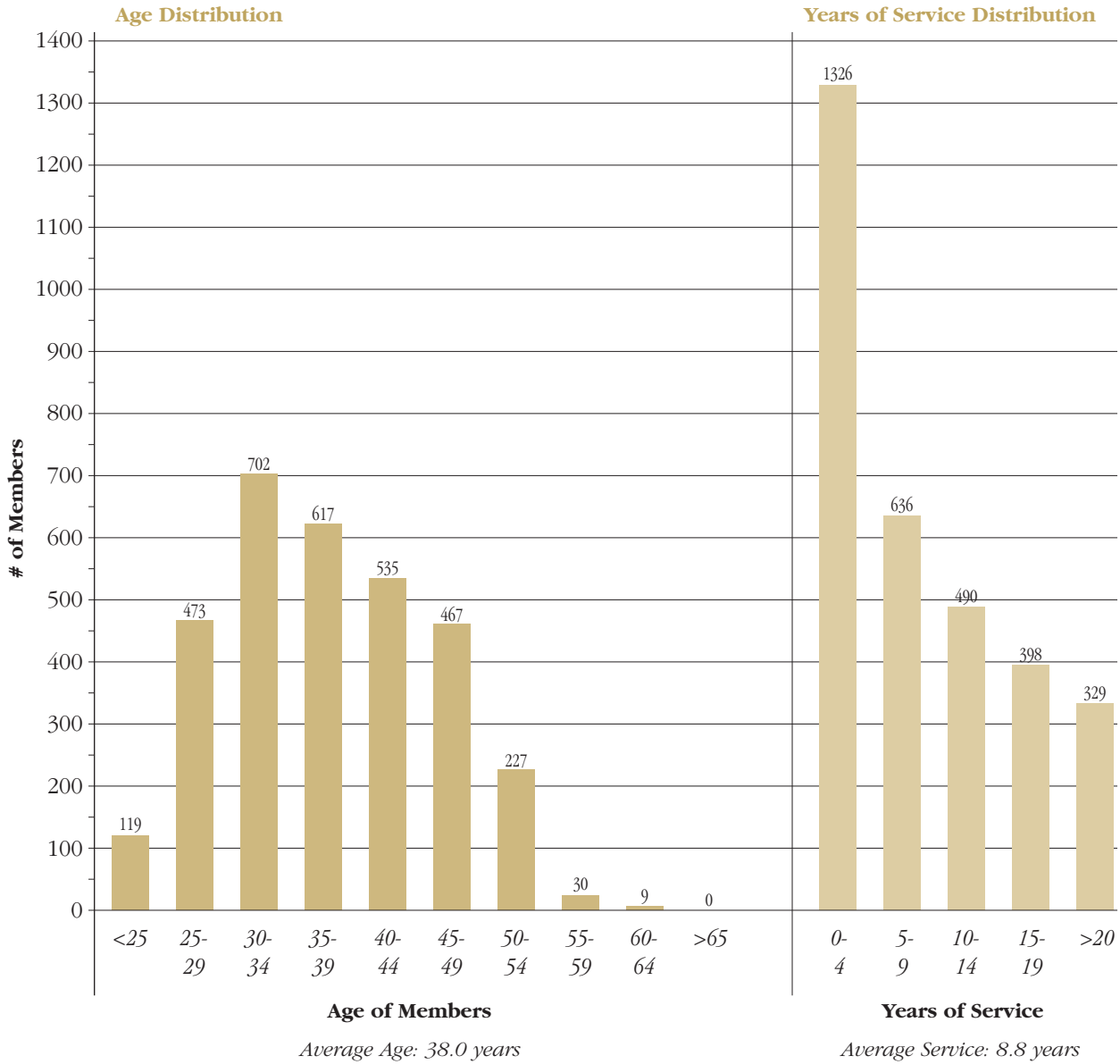
Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

Year Ended	Added to Payroll		Removed from Payroll		Payroll		% Increase in Annual Benefit	Average Annual Benefit
	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit		
1/1/02	16	\$374,072	1	\$ 3,687	47*	\$ 735,257*	107.97%	\$ 15,644
1/1/01	5	\$ 50,774	1	\$ 15,482	32*	\$ 353,534*	13.35%	\$ 11,050
1/1/00	4	\$ 56,252	1	\$ 6,592	28*	\$ 311,906*	23.19%	\$ 11,140
1/1/99	5	\$ 61,039	0	\$ 0	25*	\$ 253,185	61.77%	\$ 10,127
1/1/98	2	\$ 22,218	1	\$ 568	20*	\$ 156,512	13.72%	\$ 7,826
1/1/97	8	\$ 54,955	1	\$ 568	19*	\$ 137,627	53.59%	\$ 7,244

* These end-of-year counts include two beneficiaries with a deferred vested benefit. Information for these two beneficiaries is not available for years ended before December 31, 1996. The total annual benefits as of December 31, 2001 excluding these two beneficiaries is \$721,277.

Statewide Defined Benefit Plan

Age and Years of Service Distribution



The Statewide Defined Benefit Plan Solvency Test

The FPPA funding objective for the Statewide Defined Benefit Plan is to be able to pay the retirement benefits promised to the members including the granting of an annual cost-of-living increase to all retirees and beneficiaries. The objective is to entirely fund these promised benefits by 16% of pay, 8% from the employee and 8% from the employer.

A short-term solvency test is used to check FPPA's funding progress towards its funding objective. In a short-term solvency test, the plan's present assets are compared with: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, (3) liability for service already rendered by active members.

Expressing the net assets available for benefits as a percentage of the different liability measures provides one indication of the funding status on a going-concern basis. Generally the greater the percentages, the stronger the public employee retirement system.

Statewide Defined Benefit Plan

The schedule below illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the liabilities continue to be 100% covered by current assets. This plan does not have any unfunded liability and current contributions exceed the cost of annual benefit accruals.

Statewide Defined Benefit Plan - Solvency Test

Valuation Date	Valuation Assets (000's)	Aggregate Accrued Liabilities For:			Funded Percentages		
		(1) Active Member Contributions (000's)	(2) Retirees and Beneficiaries (000's)	(3) Active Members (Employee Financed Portion) (000's)	(1)	(2)	(3)
1/1/02	\$428,389	\$85,368	\$21,292	\$318,204	100%	100%	100%
1/1/01	\$405,599	\$75,909	\$12,166	\$292,895	100%	100%	100%
1/1/00	\$367,004	\$66,204	\$10,263	\$205,791	100%	100%	100%
1/1/99	\$311,057	\$58,232	\$8,539	\$182,676	100%	100%	100%
1/1/98	\$261,509	\$51,092	\$6,521	\$153,512	100%	100%	100%
1/1/97	\$217,454	\$47,439	\$5,056	\$119,448	100%	100%	100%

SUMMARY OF PLAN PROVISIONS — Statewide Defined Benefit Plan

Members Included

Members included are active employees who are full-time salaried employees of a participating municipality or fire protection district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection.

Compensation Considered

Base salary, including member contributions to the Statewide Defined Benefit Plan which are “picked up” by the employer, longevity, sick and vacation pay, shift differential, and mandatory overtime that is part of the member’s fixed periodic compensation.

Normal Retirement Date

A member’s Normal Retirement Date shall be the date on which the member has completed at least twenty-five years of credited service and has attained the age of 55.

Normal Retirement Benefit

The annual Normal Retirement Benefit shall be two percent of the average of the member’s highest three years base salary for each year of credited service up to ten years plus 2.5% for each year thereafter.

The benefit for members of affiliated social security employers will be reduced by the amount of the social security income the member receives annually.

Early Retirement Benefit

A vested member shall be eligible for an Early Retirement Benefit after completion of thirty years of service or attainment of age 50. The Early Retirement Benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis. The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually.

Statewide Defined Benefit Plan

Late Retirement Benefit

The Normal Retirement Benefit for members who continue to work after their normal retirement date will be increased by 2.5% of the member's highest average three years base salary, multiplied by the member's years of service after their Normal Retirement Date.

Terminated Vested Benefit

A member who terminates with at least ten years of active service may leave his contributions in the fund and when the member attains age 55 be eligible to receive an annual benefit equal to two percent (2%) of the average of his highest three years base salary for each year of credited service up to 10 years plus 2.5% for each year thereafter. In the event that the member dies prior to the commencement of payments, his designated beneficiary shall receive either a refund of member contributions or a joint and survivor annuity payable when the member would have been eligible for a benefit, whichever is greater. If the member's designated beneficiary dies prior to the time the member would have been eligible to receive a benefit, a refund of the member's employee contribution shall be paid to the beneficiary's estate.

The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually.

Severance Benefits

In lieu of a future pension, a member may upon termination elect to have the member's accumulated contributions refunded in a lump sum. In addition to receiving the accumulated contributions, the member shall receive five percent of the total accumulated contributions as interest.

Cost-of-Living Increases for Benefits in Pay Status

If adopted by the municipality prior to January 1, 1980, benefits are increased annually on October 1 to reflect increases in the Consumer Price Index. The amount of increase is based on the Board's discretion and can range from 0-3%. For all other municipalities, benefits may be adjusted annually to reflect increases in the Consumer Price Index at the Board's discretion. Benefits may not be increased by more than 3% for any one year.

Contribution Rates

Members of this fund and their employers are currently each contributing at the rate of 8% of base salary.

Contributions from members and employers of affiliated social security employers are annually set by the Board of Directors.

Stabilization Reserve Account (SRA)

Annually, at the discretion of the Board of Directors, the difference between the combined member/employer contribution and the actuarially determined contribution rate may be allocated to the stabilization reserve account. Amounts set aside in the SRA are allocated to individual accounts for each new hire member. A member may receive the amounts in his individual account only upon election of normal, early, disability, or vested retirement. If the cost of the defined benefit plan exceeds the combined member/employer contribution rate, funds from the SRA will make up the shortfall. If the member quits with less than 10 years of service, the SRA account is forfeited. If a member has less than 10 years of service and dies prior to retirement eligibility, then the SRA would be paid to the member's estate.

Deferred Retirement Option Program (DROP)

A member may elect to participate in the DROP after reaching eligibility for normal, early, disability or vested retirement. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into the DROP. The member's percentage of retirement benefit is frozen at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated until the member terminates service, at which time the DROP accumulated benefits can be paid as a lump sum, if desired. The member continues contributing 8.0% of pay, which is credited to the DROP.

Death Benefits

At the death of a member, the member's beneficiary shall receive the greater of the refund of the member's contributions or the survivor benefit under the Statewide Death and Disability Plan. If the beneficiary dies before the benefit commencement date, the beneficiary's estate will receive a refund of the member's contributions.

Changes in Plan Provisions

Effective June 1, 2001, the reduction of the Normal Retirement Benefit has been changed to an actuarially equivalent basis. Also, the SRA provisions have changed to allow a member's SRA balance to be payable to his estate if he dies before retirement eligibility with at least ten years of service without a surviving spouse, dependent children or a beneficiary.

Statewide Death & Disability Plan

Schedule of Active Member Valuation Data

<i>Valuation Date</i>	<i>Number</i>	<i>Annual Payroll (000's)</i>	<i>Annual Average Pay</i>	<i>% Increase in Average Pay</i>
1/1/02	9,177	\$468,169	\$51,015	6.76%
1/1/01	8,949	\$427,649	\$47,787	5.06%
1/1/00	8,629	\$392,479	\$45,484	3.44%
1/1/99	8,443	\$371,257	\$43,972	1.21%
1/1/98	8,374	\$363,820	\$43,446	6.01%
1/1/97	8,310	\$340,587	\$40,985	3.64%

Development of Actuarial Gain or Loss - 3% COLA for All Members

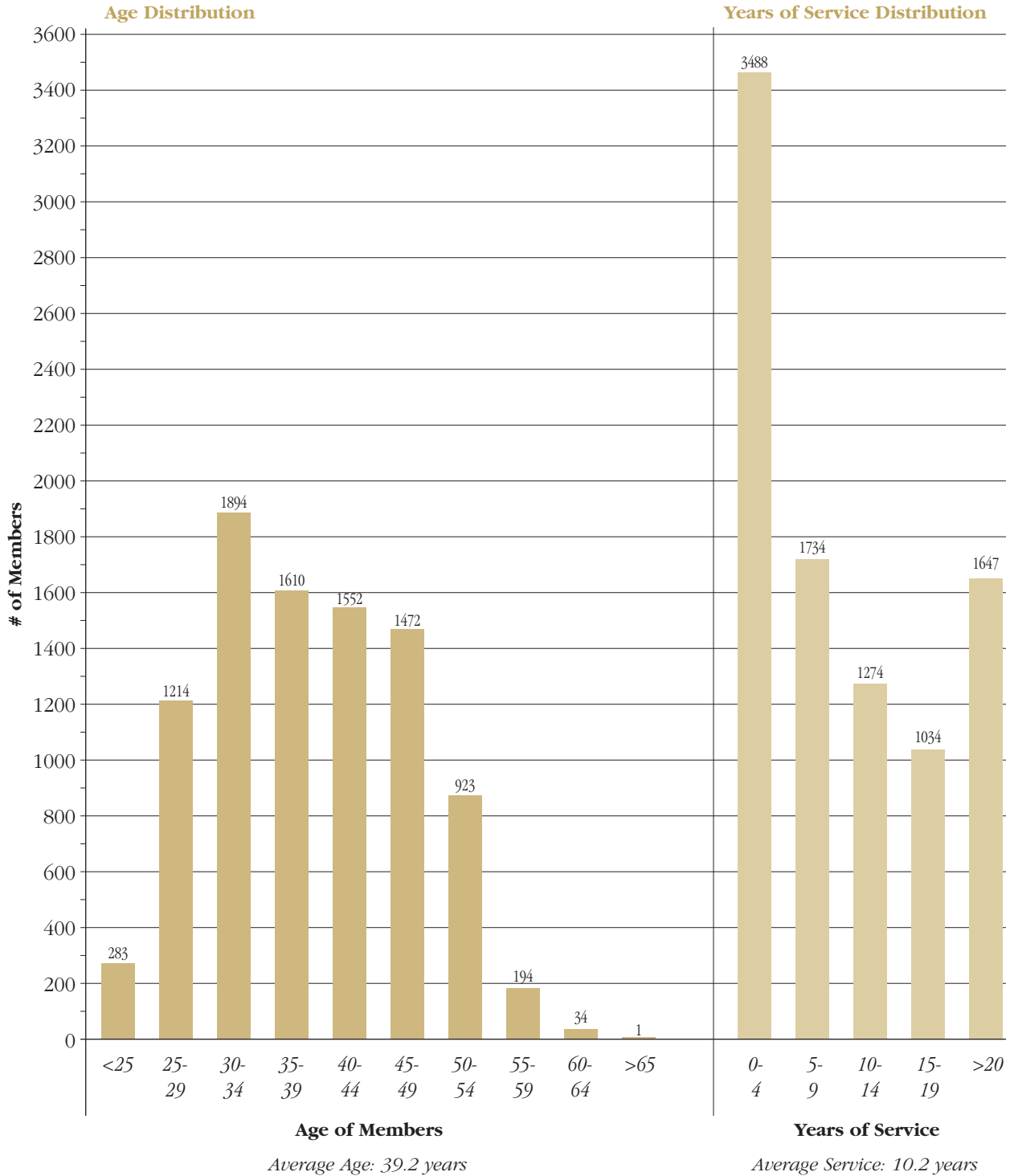
	<i>Total Present Value of Benefits (1)</i>	<i>Plan Assets (2)</i>	<i>Unfunded Actuarial Accrued Liability (1 - 2)</i>
January 1, 2001	\$ 282,278,675	\$ 240,575,733	\$ 41,702,942
Normal Cost	0	N/A	0
Contributions	0	3,018,590	(3,018,590)
Benefit Payments	(8,736,810)	(8,736,810)	0
Interest on:			
January 1, 2001 Balance	22,582,294	19,246,059	3,336,235
Normal Cost	0	N/A	0
Contributions	0	120,744	(120,744)
Benefit Payments	(349,472)	(349,472)	0
	22,232,822	19,017,331	3,215,491
Expected January 1, 2002	295,774,687	253,874,844	41,899,843
Actual January 1, 2002	316,948,111	239,456,347	77,491,764
Preliminary Gain or Loss	(21,173,424)	14,418,497	(35,591,921)
Loss due to Assumption Changes	(8,557,701)	0	(8,557,701)
<i>Net Gain or Loss</i>	<i>(29,731,125)</i> Loss	<i>14,418,497</i> Loss	<i>(44,149,622)</i> Loss

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

<i>Year Ended</i>	<i>Added to Payroll</i>		<i>Removed from Payroll</i>		<i>Payroll</i>		<i>% Increase in Annual Benefit</i>	<i>Average Annual Benefit</i>
	<i>Number</i>	<i>Annual Benefit</i>	<i>Number</i>	<i>Annual Benefit</i>	<i>Number</i>	<i>Annual Benefit</i>		
1/1/02	57	\$980,000	15	\$200,000	562	\$9,175,755	16.81%	\$16,327
1/1/01	52	\$788,000	16	\$118,000	520	\$7,855,192	14.90%	\$15,106
1/1/00	42	\$732,000	16	\$62,000	484	\$6,836,274	10.13%	\$14,125
1/1/99	51	\$651,000	11	\$79,000	458	\$6,207,553	7.87%	\$13,554
1/1/98	31	\$419,000	12	\$152,000	418	\$5,754,726	9.17%	\$13,767
1/1/97	58	\$542,000	24	\$364,000	399	\$5,271,191	8.77%	\$13,211

Statewide Death & Disability Plan

Age and Years of Service Distribution



The Statewide Death and Disability Plan Solvency Test

The FPPA funding objective for the Statewide Death and Disability Plan is to be able to pay the death and disability benefits promised to the members including the granting of an annual cost-of-living increase to all retirees and beneficiaries.

Statewide Death & Disability Plan

A short-term solvency test is used to check FPPA's funding progress towards its funding objective. In a short-term solvency test, the plan's present assets are compared with: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, (3) liability for service already rendered by active members.

Expressing the net assets available for benefits as a percentage of the different liability measures provides one indication of the funding status on a going-concern basis. Generally the greater the percentages, the stronger the public employee retirement system.

The schedule below illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the liabilities continue to be 100% covered by current assets.

Statewide Death & Disability Plan - Solvency Test

Valuation Date	Valuation Assets (000's)	Aggregate Accrued Liabilities For			Funded Percentages		
		(1)	(2)	(3)	(1)	(2)	(3)
		Active Member Contributions (000's)	Retirees and Beneficiaries (000's)	Active Members (Employer Financed Portion) (000's)*			
1/1/02	\$239,456	\$0	\$106,937	\$135,363	100%	100%	100%
1/1/01	\$240,576	\$0	\$96,431	\$115,073	100%	100%	100%
1/1/00	\$229,537	\$0	\$82,344	\$101,830	100%	100%	100%
1/1/99	\$212,357	\$0	\$81,573	\$100,293	100%	100%	100%
1/1/98	\$193,630	\$0	\$71,957	\$ 75,942	100%	100%	100%
1/1/97	\$175,364	\$0	\$67,734	\$ 73,781	100%	100%	100%

**As of 1/1/97 the Plan is fully funded. The liability reported is the Present Value of all projected benefits, without regard to future cost-of-living increases. Prior to this date, liabilities are reported on the entry age normal actuarial method.*

SUMMARY OF PLAN PROVISIONS — Statewide Death and Disability Plan

Members Included

Members included are active employees who are full-time salaried employees of a participating municipality or fire protection district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. Former members and beneficiaries of former members who have died or become disabled are also included.

Compensation Considered

Base salary, including member contribution to the fund which are "picked up" by the employer, longevity, sick and vacation pay, shift differential, and mandatory overtime that is part of the member's fixed periodic compensation.

Pre-Retirement Death Benefits

If a member dies prior to retirement, the surviving spouse shall receive a benefit (including payments made from local defined contribution plans) equal to 40% of the monthly base salary paid to the member prior to death, with an additional 10% of base salary if a surviving spouse has two or more dependent children, or if there are three or more dependent children without a surviving spouse. Benefits will be paid to the spouse until death and to dependent children until death, marriage or other termination of dependency. These benefits are offset by Money Purchase account balances and SRA accounts, converted to annuities.

Disability Benefits

A member who becomes disabled prior to retirement shall be eligible for disability benefits. If the member is totally disabled, he shall receive 70% of his base salary preceding disability. If the member is occupationally dis-

Statewide Death & Disability Plan

abled, he shall receive 30% of his base salary preceding disability. All disability benefits are reduced by Social Security disability benefits derived from employment as a member, if applicable. Disability benefits are also reduced by 25% of additional earned income and further offset by the Money Purchase account balances and SRA accounts, converted to annuities. The occupationally disabled benefits will be increased by 10% of base salary if the member has a spouse and an additional 10% of base salary if the member has any dependent children. All disability benefits cease if the member recovers from disability. The occupational disability benefits to the spouse and dependent children outlined above continue after the death of the member. Benefits will be paid to the spouse until death and to dependent children until death, marriage or other termination of dependency.

Effective October 1, 2002, the occupational disability benefit was changed to a "permanent occupational disability" with a flat 50% of base salary benefit and a "temporary occupational disability" with a flat 40% of base salary benefit.

Cost-of-Living Increases for Benefits in Pay Status

Benefits to members and spouses are increased to reflect increases in the Consumer Price Index annually if approved by the Board, but in no case may benefits be increased by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic COLA each year based on 3%.

Contributions

Members hired after 1996 contribute 2.3% of pay. Either the employer pays the entire 2.3% or it may be split between the employer and the member. Effective January 1, 2003, the contribution will increase to 2.4%.

Offsets for SRA and Money Purchase

Death and disability benefits are reduced by the actuarially equivalent annuities of the SRA and Money Purchase account balances. A maximum of 16% of the annual Money Purchase contributions apply for this purpose.

Changes in Plan Provisions

Effective January 1, 2002, pre-retirement death benefits have been increased to 40% of pay, with an additional 10% of pay if a surviving spouse has two or more dependent children, or if there are three or more dependent children with no surviving spouse.

Effective October 1, 2002, the occupational disability benefit was changed to a "permanent occupational disability" with a flat 50% of base salary benefit and a "temporary occupational disability" with a flat 40% of base salary benefit.

Affiliated Local Plans

Note: Data compilation began with the 1/1/96 actuarial valuation. Actuarial studies are completed every other year. Each employer participating in the system is financially responsible for its own liabilities. Accordingly, the aggregate numbers presented in this section are indicative only of the overall condition of the system and are not indicative of the status of any one employer.

Schedule of Active Member Valuation Data

Valuation Date	Number of Participating Employers	Number of Paid and Volunteer Members	Annual Payroll of Paid Members	Annual Average Pay of Paid Members	% Increase in Average Pay
1/1/02	211	5,652	\$74,373,501	\$40,115	(2.67)%
1/1/00	191	5,687	\$82,304,632	\$41,214	(15.37)%
1/1/98	177	5,278	\$104,552,694	\$48,697	28.83%
1/1/96	154	5,033	\$ 96,013,582	\$37,801	N/A

Development of Actuarial Gain or Loss

Note: Data to calculate a gain/loss analysis on all local plans was not available as of the 1/1/02 actuarial valuations.

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

Year Ended	Added to Payroll		Removed from Payroll		Payroll		% Increase in Annual Benefit	Average Annual Benefit
	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit		
1/1/02	N/A	N/A	N/A	N/A	2,989*	\$110,003,326*	N/A	\$36,803
1/1/00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1/1/98	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1/1/96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Does not include volunteer retirees.

Note: Data to calculate the retirees and beneficiaries added to and removed from payroll on all local plans was not available prior to the 1/1/02 actuarial valuation.

Affiliated Local Plans - Solvency Test

Valuation Date (000's)	Valuation Assets (000's)	Aggregate Accrued Liabilities For			Funded Percentages		
		(1)	(2)	(3)	(1)	(2)	(3)
		Active Member Contributions (000's)	Retirees and Beneficiaries	Active Members (Employer Financed Portion) (000's)*			
1/1/02	\$1,902,729	*	*	\$2,086,914	N/A	N/A	91%
1/1/00	\$1,824,520	*	*	\$1,958,960	N/A	N/A	93%
1/1/98	\$1,466,608	*	*	\$1,814,000	N/A	N/A	81%
1/1/96	\$1,121,445	*	*	\$1,593,928	N/A	N/A	70%

* Included in Column 3

Affiliated Local Plans

SUMMARY OF PLAN PROVISIONS — Affiliated Local Plans

Members Included

Members included are active police officers and paid firefighters hired prior to April 8, 1978, electing to remain covered under the provisions of their local plan, and volunteer firefighters.

Compensation Considered

Base salary, including longevity, sick and vacation pay.

Volunteer members are not compensated. Their benefit is generally based on the total assets in the plan.

Normal Retirement Date

A member's Normal Retirement Date varies with each plan. Several plans are based on the date a member has completed years of credited service, usually 20-25 years. Most plans require the member to complete 20-25 years of credited service and attain the age of 50-55.

Normal Retirement Benefit

The annual Normal Retirement Benefit varies with each plan. The benefit calculation ranges from 50-75% of salary. Several plans offer a lump sum actuarial equivalent benefit.

Volunteer plans offer a flat dollar benefit from \$0 - \$750 per month.

Deferred Vested Benefit

Some plans allow a member to leave their contributions in the fund and be eligible to receive a vested benefit based on salary times years of credited service at termination, usually with a maximum benefit of 50% of pay. The benefit is payable at normal retirement age, typically age 50 or 55. The minimum eligibility for this benefit is usually 10 or 20 years of service at termination. Most plans do not offer deferred vested benefits.

Volunteer plans offer a flat dollar benefit that ranges from 50-100% of the normal retirement benefit depending on the years of credited service at termination. The benefit is usually payable at age 50.

Severance Benefits

In lieu of a future pension, several plans offer their members upon termination an election to have accumulated contributions refunded in a lump sum. In addition to receiving accumulated contributions, the member may receive interest on the total accumulated contributions. Most plans do not offer severance benefits.

Volunteer plans are restricted by statute and cannot offer severance benefits.

Cost-of-Living Increases for Benefits in Pay Status

Several plans offer a cost-of-living increase to their retirees and beneficiaries. Some only offer an ad-hoc cost-of-living increase. Others offer an escalation benefit based on the rank at which the member retired.

Volunteer plans are restricted by statute and cannot offer a cost-of-living increase.

Contribution Rates

The contribution rate varies for each plan. Paid member rates range from 0-10%.

Volunteer members do not contribute to their plan.

Pre-Retirement Death and Disability Benefits

The paid members are covered by the Statewide Death and Disability Plan.

Some volunteer plans offer a 50% benefit. All volunteer plans are required to pay at least a \$100 lump sum funeral benefit.

Post-Retirement Death Benefits

Most plans offer a 50-100% benefit to the surviving spouse until death or remarriage. Some plans also offer actuarially equivalent post-retirement death benefits.

Affiliated Local Plans

Deferred Retirement Option Plan (DROP)

Several plans allow a member to participate in the DROP after reaching eligibility for normal or delayed retirement. A member can continue to work while participating in the DROP, but must terminate employment within a given time frame, generally between 3-5 years of entry into the DROP. The member's percentage of retirement benefit is frozen at the time of entry into DROP. The monthly payments go into the DROP and are accumulated until the member terminates service, at which time the DROP and accumulated benefits can be paid as a lump sum or periodic payments, if desired. The member continues contributing the employee percentage of pay which is credited to the DROP.

Changes in Plan Provisions

The provisions of the local plans will vary from plan to plan, as will the periodic changes made to the plans.

The Statistical Section of the FPPA annual report contains a variety of information concerning FPPA's operations including legislative history, member demographics and disbursement of state funds to municipalities.

This information is presented in narrative, graphical and tabular forms which staff hopes will assist individuals desiring a more comprehensive understanding of the Association's functions.

While the material in this section is intended to supplement the independent auditor's report contained elsewhere, none of the information within the Statistical Section has been reviewed or certified as to its accuracy by FPPA's auditors.

History of State Involvement in Fire and Police Pension Plans

1978

Senate Bill 46 is enacted, adopting the Policemen's and Firemen's Pension Reform Act and creating the Policemen's and Firemen's Pension Reform Commission. It also freezes old hire plan provisions.

1979

Senate Bill 79 results from the activities of the Policemen's and Firemen's Pension Reform Commission created the previous year. S.B. 79 establishes the Fire and Police Pension Association, and creates a new statewide pension plan and the new Statewide Death and Disability Plan.

1983

Senate Bill 64 gives the FPPA Board of Directors authority to lower the statewide plan retirement age to 55 if actuarially supportable, and makes other miscellaneous changes to Part 10.

1987

Senate Bill 18 establishes a Stabilization Reserve Account, gives FPPA the ability to negotiate group retiree health insurance, and makes other miscellaneous changes to Part 10.

1989

House Bill 1196 grants FPPA the authority to administer 457 Deferred Compensation Plans; and House Bill 1033 grants FPPA the authority to administer and manage money purchase plan funds.

1991

House Bill 1015 grants FPPA the authority to modify statewide pension plan benefits and service requirements for normal retirement without prior approval from the legislature. Any modifications must be approved by 65 percent of the active members in the plan and more than 50 percent of the employers having active members covered by the plan.

1993

Senate Bill 142 amends several aspects of the Statewide Death and Disability Plan including clarifying responsibilities of employers to employees found not disabled by the FPPA Board, and lengthens the reexamination and re-determination of disability period from three to five years.

House Bill 1243 authorizes FPPA to establish a Statewide Money Purchase Plan as an alternative to the Statewide Defined Benefit Plan for departments meeting certain criteria.

1995

House Bill 1012 increases the time from three years to five years within which FPPA may investigate a member retired for disability from the Statewide Death and Disability Plan.

Senate Bill 12 grants the FPPA Board the authority to adopt procedural rules in regard to local employers having money purchase plans for their police officers or firefighters and who wish to terminate those plans and cover their members under the Statewide Money Purchase Plan administered by FPPA. Any such election is voluntary and requires the approval of the employer and at least 65% of the members of the local money purchase plan.

Senate Bill 228 accelerates the payments by state and local governments to those "old hire" plans currently receiving state assistance for unfunded accrued liabilities. The bill increases the state's contribution to these plans and establishes a level dollar employer contribution projected to pay off the unfunded liabilities by the year 2009.

1996

House Bill 1016 establishes a separate statutory condition under the Statewide Death and Disability Plan for those members whose disabilities are the result of an on-duty injury or occupational disease.

House Bill 1370 addresses the future funding of benefits provided under the Statewide Death and Disability Plan. It provides that the state will fund the benefits of members hired prior to January 1, 1997, through the payment of a one time lump sum amount of \$39,000,000. For those members hired on or after January 1, 1997, the bill requires funding by the members and/or their employers. On the benefit side, the bill provides a guaranteed cost of living adjustment for those members who are found to be totally disabled. The bill permits an employer, within a limited time window, to withdraw from the Statewide Death and Disability Plan and establish its own disability and survivor benefit plan.

1997

House Bill 1213 authorizes FPPA to offer a supplemental disability benefit program to members of the Statewide Death and Disability Plan.

House Bill 1006 applies the provisions of the Uniform Prudent Investor Act to FPPA with respect to the investment of assets in the Fire and Police Members' Benefit Fund.

House Bill 1022 extends an employer's authority to use excess funds in its old hire fire or police pension plan for other pension and public safety purposes. The bill now permits an employer to utilize excess funds if there are no active members of the plan and the employer takes certain steps to guarantee payment to persons still receiving benefits from the fund.

House Bill 1111 authorizes local boards to increase pension benefits for volunteer firefighters who are already retired.

Senate Bill 81 amends the statute providing for the division of public employees' retirement benefits upon divorce to clarify which legal actions are subject to the statute.

1998

House Bill 1024 authorizes survivors of police and fire members of the Statewide Death and Disability Plan to seek relief from state and federal income taxes when the plan member's death was in the line of duty or the result of an occupational disease. Also, survivors of members who died prior to the effective date of the bill were granted a two-year period to apply to the Board for a "death-in-the-line-of-duty" determination.

1999

Senate Bill 5 mandates that each deferred compensation plan's assets be held for the exclusive benefit of the plan participants. This protection was enacted on the federal level as a part of the Small Business Job Protection Act of 1996. Senate Bill 5 also establishes minimum requirements for ensuring that appropriate investment options are made available to deferred compensation plan participants.

House Bill 1022 updates provisions needed to maintain police and fire pension plans as "qualified plans" under the Internal Revenue Code. These amendments were required by federal tax law in order for employers and employees to continue to benefit from the favorable tax treatment available under these pension plans.

Senate Bill 114 authorizes parties in domestic relations actions to use additional methods for dividing public employee retirement benefits on divorce, legal separation, or declaration of invalidity of marriage.

2000

House Bill 1006 eliminates the possibility of reducing the Separate Retirement Accounts ("SRA's") of members of the SWDB Plan in order to make transfers to the Death and Disability Account for the Statewide Death and Disability Plan (D&D Plan). Such transfers are no longer needed, because the D&D Plan is now fully funded.

House Bill 1022 creates options for increasing contribution rates under the Statewide Money Purchase Plan above the statutory rates of eight percent from the employer and eight percent from the employee.

House Bill 1018 clarifies the standard of care applicable to the FPPA Board with respect to the administration, investment and management of the Fire and Police Members' Money Purchase Plan Benefit fund. The Bill recognizes that the Board was governed by the Uniform Prudent Investor Act only with respect to assets allocated to the Fire and Police Members' Benefit fund, which is an investment alternative for Fire and Police Member's Money Purchase Plan Benefit.

House Bill 1005 gives the FPPA Board discretion to waive the interest charge on delinquent contributions for new accounts in hardship cases.

House Bill 1017 restores the relocated sections of law relating to the FPPA Defined Benefit Plan to statutes addressing the Death and Disability Plan.

2001

House Bill 1011 clarifies certain statutes, expedites processes, standardizes treatment of members, and conforms to state and federal law. Specific changes are as follows:

General

- Amends the definition of employer to include "fire authority".
- Allows the pension boards of local affiliated plans to obtain the names and addresses of retirees from FPPA.

Statewide Defined Benefit Plan

- Clarifies that normal retirement eligibility is age fifty-five with 25 years of service.
- Reduces the penalty for retiring early.
- Allows the designated beneficiary of a member eligible for normal retirement to receive a pension in the event the member dies before electing a payment option.
- Treats electronic fund transfers the same as cashing a check.
- Allows members to defer receipt of benefits to avoid taxation for early withdrawal.
- Provides that a vested single member's estate shall receive the member's separate retirement account, earnings, and member contributions if there is no designated beneficiary.

Statewide Money Purchase Plan

- Expedites the process for participating in the Statewide Money Purchase Plan.

Affiliated Plans

- Clarifies that employers with multiple plans can exercise affiliation options on an individual plan basis.

Statewide Death and Disability Plan

- Eliminates off-sets and reporting requirements for disability recipients for income earned after the calendar year in which a member attains age 55
- Continues benefits for dependent children who have reached age 19 to age 23 if they are in high school or college.
- Allows an incapacitated child who marries to continue to receive benefits.
- Clarifies that all members who become eligible for normal retirement or who reach its age and service equivalent are ineligible for benefits under the plan, and therefore, are not required to contribute to the plan.
- Requires that actuarial reports be generated annually.
- Authorizes the Board to establish rules for the administrative approval of disability applications in order to shorten the processing times.

457 Deferred Compensation Plan

- Authorizes administrative support staff to participate in this supplemental plan as allowed by the IRS.

House Bill 1008 provides a method for calculating the last year's payments made by the state and an employer to each state-assisted old hire pension plan. It also requires an annual actuarial study.

House Bill 1027 increases survivor benefits for a spouse, child or a spouse and child to forty percent. The bill also clarifies the division of benefits between survivors who live in separate households.

2002

Senate Bill 026

This bill will accomplish the following:

- Creation of a "permanent occupational disability" 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
- Creation of a "temporary occupational disability" 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 plan's 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 plan's normal contribution amount is above 16%, the employer will make up the difference.)
- Family option on total and permanent occupational disability to specifically include adult dependent incapacitated children
- Determination of disability can include consideration of any relevant evidence by Board
- 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
- Offsets for local SRA's for total and permanent occupational disability benefits and survivor benefits
- Permanent occupational disability benefit payment options would be the same as total disability benefit payment options
- Statute of Limitations for applying for a disability benefit would be 180 days from the last day on the payroll
- Members can waive their right to reinstatement during application process
- Employers submit statement of reason for service termination with application
- Employers submit statement of additional basis for disability with application
- No earned income offset for total disability
- Five year window for upgrade from occupational disability to total disability begins from date of disablement (last day on payroll)
- Definition of "assigned duties" tightened
- 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.
- 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.

House Bill 1032

This bill will accomplish the following:

- Allow purchase of service credit for any public service
- Allow purchase of service credit for private sector service of up to five years, after five years of service credit are earned
- Ease the process for granting service credit for funds rolled over from other eligible retirement plans

House Bill 1036

This bill will accomplish the following:

- Simplifies method of calculating state matching contribution without changing actual contribution for local volunteer plans
- Increases the minimum state contribution to \$1000 for districts contributing 1/2 mill.

2002 Distribution of State Funds

Death and Disability Fund	\$ 0
Volunteer Fire Pension Plans*	3,843,145
Old Hire Plans for Unfunded Liabilities*	25,321,079
Total Monies Distributed	\$ 29,164,224

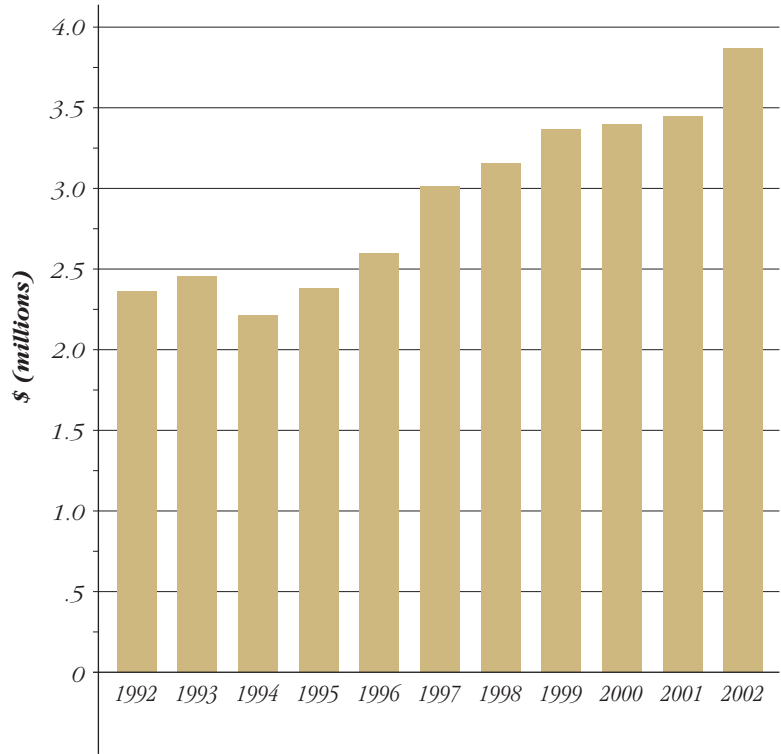
*FPPA serves as a flow-through entity for state funding to non-affiliated departments.
State funding to FPPA affiliates was \$27.9 million. State funding to non-affiliates was \$1.3 million.

State Funds Allocated to Cities to Reduce Unfunded Liabilities

	1997	1998	1999	2000	2001	2002	Total (1980-02)
Aurora Fire	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,502,878
Aurora Police	1,014,624	1,032,476	1,032,476	0	0	0	9,175,314
Colo Spgs Fire	437,820	0	0	0	0	0	9,947,115
Colo Spgs Police	635,127	646,302	646,302	0	0	0	11,496,947
Denver Fire	9,013,527	9,172,120	9,172,120	9,827,860	9,960,439	9,960,439	154,587,795
Denver Police	11,403,843	11,604,493	11,604,493	12,434,131	12,601,870	12,601,870	204,255,738
Grand Jct Fire	309,112	314,551	314,551	337,039	0	0	4,589,087
Grand Jct Police	261,284	265,881	265,881	284,890	288,733	288,733	4,486,086
Greeley Fire	595,560	606,039	606,039	649,366	658,126	658,126	7,801,901
Greeley Police	0	0	0	0	0	0	192,075
Pueblo Fire	875,110	890,508	890,508	954,172	967,044	967,044	16,478,133
Pueblo Police	0	0	0	0	0	0	1,699,753
Rocky Ford Fire	10,525	10,710	10,710	0	0	0	131,044
Rocky Ford Police	0	0	0	0	0	0	14,005
Lakewood FPD	614,795	625,612	625,612	670,339	679,382	679,382	9,584,568
Lamar Fire	0	0	0	0	0	0	23,293
Leadville Fire	0	0	0	0	0	0	44,719
N. Washington FPD	141,933	144,430	144,430	154,756	156,844	156,844	2,020,091
All Other	7,819	7,957	7,957	8,526	8,641	8,641	4,404,797
Total	\$25,321,079	\$25,321,079	\$25,321,079	\$25,321,079	\$25,321,079	\$25,321,079	\$443,435,339

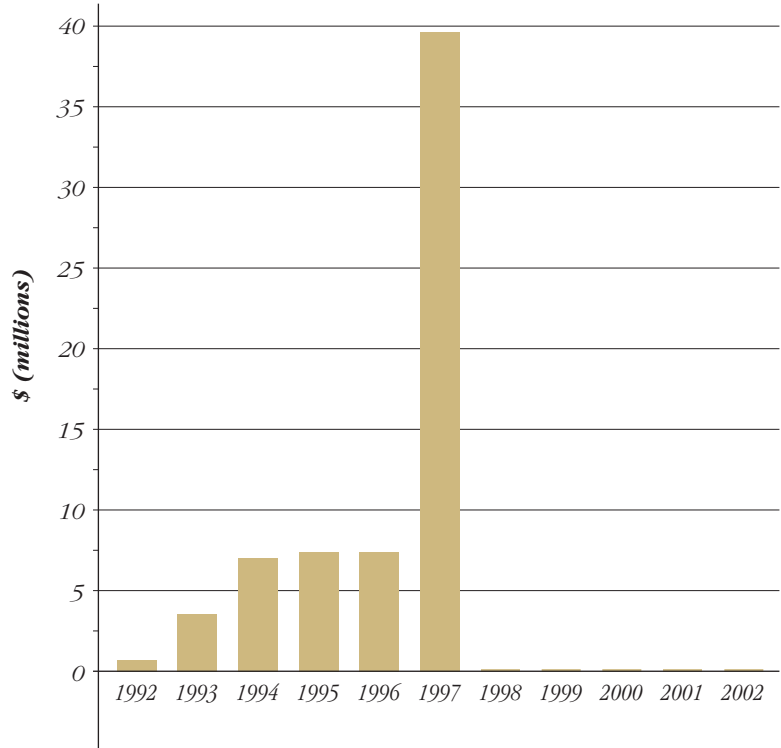
State Funds Distributed to Volunteer Fire Departments (by year)

	<i># of Departments Receiving Funds</i>	<i>Total Amount Distributed</i>
2002	223	\$3,843,145
2001	206	3,483,151
2000	202	3,390,678
1999	207	3,361,937
1998	206	3,148,492
1997	211	3,026,834
1996	199	2,599,572
1995	204	2,454,399
1994	189	2,219,058
1993	191	2,484,638
1992	193	2,342,084



State Funds Distributed to the Death & Disability Fund (by year)

	<i>Total Amount Distributed</i>
2002	\$ 0
2001	0
2000	0
1999	0
1998	0
1997	39,000,000
1996	7,500,000
1995	7,500,000
1994	7,467,052
1993	3,717,048
1992	600,000



Revenues by Source - All Plans

	1997	1998	1999	2000	2001	2002
Investment Earnings	\$ 235,801,497	\$ 250,900,298	\$396,262,695	(\$95,430,184)	(\$163,249,147)	(\$204,176,771)
State Funding	65,595,405	26,989,691	27,114,921	27,141,938	27,432,188	28,060,171
Employers	49,516,051	58,500,005	49,636,327	51,028,118	53,003,474	55,686,872
Employees	16,552,238	12,991,623	32,428,830	38,011,053	44,873,291	44,081,226
Affiliations	6,141,898	9,324,380	25,807,791	1,426,317	10,679,999	364,746
<i>Total</i>	<i>\$373,607,089</i>	<i>\$358,705,997</i>	<i>\$531,250,564</i>	<i>\$22,177,242</i>	<i>(\$27,260,195)</i>	<i>(\$75,983,756)</i>

Revenue Allocation - All Plans

	1997	1998	1999	2000	2001	2002
Additions to Fund Balance	\$289,565,825	\$263,184,561	\$412,447,619	(\$114,127,155)	(\$172,154,282)	(\$231,233,712)
Benefit Payments	73,393,878	82,533,683	101,496,836	112,283,281	125,003,556	133,970,296
Administrative Expense	2,494,785	3,024,568	3,254,498	3,426,968	3,168,290	3,496,840
Refunds & Withdrawals	8,152,601	9,963,185	14,051,611	20,594,148	17,813,389	18,661,961
<i>Total</i>	<i>\$373,607,089</i>	<i>\$358,705,997</i>	<i>\$531,250,564</i>	<i>\$22,177,242</i>	<i>(\$26,169,047)</i>	<i>(\$75,104,615)</i>

Expenses by Type - All Plans

	<i>Benefit Payments</i>	<i>Refunds</i>	<i>Administrative Expenses</i>	<i>Capital Expense</i>	<i>Total Expense</i>
2002	\$133,970,296	\$18,661,961	\$3,496,840	\$55,386	\$156,184,483
2001	\$125,003,556	\$17,813,389	\$3,168,290	\$223,543	\$146,208,778
2000	\$112,283,281	\$20,594,148	\$3,021,351	\$21,471	\$135,920,251
1999	\$101,496,836	\$14,051,611	\$3,047,992	\$71,113	\$118,667,552
1998	\$82,533,683	\$9,963,185	\$2,820,244	\$53,638	\$95,370,750
1997	\$73,393,878	\$8,152,601	\$2,273,329	\$105,886	\$83,925,694

Employers Listed by Plan

Employers of Statewide Defined Benefit Pension Plan Members

Aguilar Police*
Alma Police
Antonito Police
Arvada FPD
Aspen FPD*
Ault Police
Basalt Police
Basalt & Rural FPD
Bayfield Police
Bennett FPD #7
Berthoud FPD
Black Forest FPD
Blackhawk FPD
Blanca Police
Blue River Police*
Boulder Mountain FA*
Boulder Rural FPD
Bowmar Police
Greater Brighton FPD
Brush Police
Castle Rock Fire
Center Police
Central City Fire*
Cherryvale FPD
Cimarron Hills FPD
Clear Creek FA
Clifton FPD
Collbran Marshalls*
Columbine Valley Police
Copper Mountain Fire
Cripple Creek Fire
Cunningham FPD
Denver Police and Fire
Dinosaur Police*
Dolores Police*
Donald Wescott FPD
Durango Fire & Rescue
Eads Police
East Grand FPD #4*
Elizabeth Police
Elk Creek FPD
Empire Police
Englewood Fire
Erie Police
Evans Fire
Fairmount FPD
Fairplay Marshalls
Falcon FPD
Firestone Marshalls
Foothills Fire & Rescue
Fort Lupton FPD
Fowler Police
Franktown FPD
Frederick Firestone FPD
Frisco Police
Genesee FPD

Georgetown Police
Gilcrest Police
Granada Police
Grand Valley FPD*
Greater Eagle FPD
Green Mountain Falls/
Chipita Park Fire
Gypsum FPD
Hartsel FPD
Holly Police*
Hugo Police
Idaho Springs Police
Ignacio Police
Jefferson-Como FPD
Kiowa FPD
Kremmling FPD*
La Jara Police
La Salle FPD
La Salle Police
La Veta Police
Lake Dillon FPD
Lake George FPD*
Lakeside Police
Larkspur FPD
Las Animas Police
Leadville Police and Fire
Lefthand FPD*
Lochbuie Police
Log Lane Village Police
Los Pinos FPD
Louisville Fire*
Lower Valley FPD
Manassa Police
Manitou Springs Police and Fire
Minturn Fire*
Montrose FPD
Mountain View FPD
Mountain View Police
Northeast Teller County FPD
North Washington FPD
Northwest FPD
Oak Creek Police
Olathe Police
Otis Police*
Pagosa FPD
Pagosa Springs Police
Palisade Police and Fire
Palmer Lake Police
Paonia Police
Parachute Police
Parker Police
Pierce Police*
Platte Canyon FPD
Platteville Police
Platteville/Gilcrest FPD
Pueblo Police and Fire
Pueblo Rural FPD
Pueblo West Metro FPD
Red, White & Blue FPD
Rifle FPD

Rye FPD
Sable-Altura FPD
Salida Police and Fire
Saguache Police*
Sanford Police
San Luis Police
Silt Police
Silverton Police*
Skyline FPD
South Adams County FPD
South Fork Police
Steamboat Springs Fire
Sterling Police and Fire
Stratmoor Hills FPD
Stratton Police
Telluride FPD
Thornton Fire
Tri Lakes FPD
Union Colony Fire Rescue
Upper Pine River FPD
West Routt FPD
Wheat Ridge FPD*
Wiggins Police
Windsor-Severance FPD
Woodland Park Fire*
Woodmoor-Monument FPD
Wray Police
Yuma Police

Employers of Statewide Money Purchase Plan Members

Alma Police*
Arvada FPD
Blackhawk Fire
Blue River Police*
Boulder Mountain Fire
Authority
Greater Brighton FPD*
Brush Police*
Burning Mountain FPD
Castle Rock Fire
Central City Police and Fire
Cherryvale FPD
Clear Creek FA
Cripple Creek Fire
Dinosaur Police
Elizabeth FPD
Elizabeth Police*
Elk Creek FPD
Empire Police*
Evans Police and Fire
Falcon FPD*
Fairmont FPD
Fowler Police*
Frederick Firestone FPD
Georgetown Police
Grand Valley FPD

Ignacio Police*
Kiowa FPD
Kremmling FPD
Lake George FPD
Las Animas Police
Leadville Fire
Lochbuie Police
Montrose FPD
Mountain View FPD
Mountain Village Police
Nederland FPD
Oak Creek Police
Palisade Police
Parker Police
Salida Fire
Snake River FPD
South Fork Police*
South Park County FPD
Sterling Fire & Police
Stratton Police*
Union Colony Fire Rescue
Upper Pine River FPD*
Wheat Ridge FPD
Wiggins Police*

Employers of Affiliated Old Hire Pension Plan Members

Aurora Police and Fire
Bancroft FPD
Bowmar Police
Cañon City Area FPD
Cedaredge Police
Cherry Hills FPD
Colorado Springs
Police and Fire
Cortez Police
Del Norte Police
Denver Police and Fire
Durango Police and Fire
Englewood Police and Fire
Erie Police
Firestone Marshalls
Fort Morgan Police
Grand Junction Police and Fire
Greeley Police
Haxtun Police
Holyoke Police
La Junta Police and Fire
La Salle Police
Lakewood FPD
Lamar Police and Fire
Las Animas Police
Leadville Fire
Manitou Springs Fire
Montrose FPD
Mountain View FPD
North Washington FPD
Paonia Police

* Currently inactive, with no active members

Pueblo Police and Fire
Pueblo Rural FPD
Rocky Ford Police and Fire
Salida Police and Fire
South Adams County FPD
Springfield Police
Sterling Police and Fire
Thornton Fire
Trinidad Police and Fire
Union Colony Fire Rescue
Walsenburg Police
Woodmoor-Monument FPD

Employers Affiliated for Supplemental Pension and/or Death and Disability Coverage

Akron Police
Cedaredge Police
Debeque Police
Estes Park Police
Haxtun Police
Holyoke Police
Johnstown Police
Kremmling Police
Monument Police
Springfield Police

Employers Affiliated for Money Purchase Plan Administration

Cañon City Police
Dacono Police
North Metro FRD
Trinidad Fire

Employers of Affiliated Exempt New Hires

Colorado Springs
Police and Fire

Affiliated Volunteer Fire Departments

Alamosa VFD
Allenspark FPD
Aspen FPD
Ault FPD
Basalt & Rural FPD
Bennett FPD #7
Berthoud FPD
Blackhawk FPD
Blanca VFD
Boone VFD
Boulder Heights FPD
Boulder Rural FPD
Brighton VFD

Brush Rural Fire
Brush VFD
Buena Vista VFD
Burning Mountains FPD
Calhan FPD
Cañon City Area FPD
Carbondale and Rural FPD
Cascade FPD
Castle Rock VFD
Central City VFD
Central Orchard Mesa
Cherryvale FPD
Cheyenne County FPD #1
Clear Creek FA
Clifton FPD
Coal Creek Canyon FD
Colorado Sierra FPD
Cripple Creek
Crowley FD
Crystal Lakes FPD
Del Norte FPD
Divide VFD
Donald Westcoat VFD
Dove Creek FPD
Eads VFD
Eckley VFD
Elbert FPD & Rescue
Eldorado Springs/Marshall VFD
Elizabeth FPD
Englewood VFD
Evans VFD
Evergreen VFD
Falcon FPD
Federal Heights VFD
Fisher's Peak FPD
Florence FPD
Foothills Fire & Rescue
Fort Morgan
Fort Morgan Rural
Franktown FPD
Frederick Firestone FPD
Galeton FPD
Genesee FPD
Glacier View VFD
Glendale VFD
Glenwood Springs VFD
Golden VFD
Golden Gate Fire
Grand FPD #1
Grand Lake FPD
Grand Valley FPD
Green Mountain Falls/
Chipita Park FPD
Gypsum FPD
Hartsel FPD
Haxtun VFD
Hermosa Cliff FPD
High Country FPD
Hill Rose Rural FPD
Holyoke - City VFD
Holyoke FPD
Hot Sulphur Springs/
Parshall FPD
Hygiene VFD

Indian Hills FPD
Inter-Canyon FPD
Jackson 105 FPD
Jefferson-Como FPD
Kiowa FPD
Kremmling FPD
La Junta
La Salle FPD
Lafayette VFD
Lake Dillon FPD
Lake George FPD
Lamar VFD
Larkspur FPD
Left Hand FPD
Lewis-Arriola FPD
Limon VFD
Livermore FPD
Log Hill Mesa FPD
Lower Valley FPD
Manitou Springs VFD
Manzanola Rural FPD
Milliken FPD
Montrose FPD
Mountain View FPD
Nederland FPD
Northeast Teller County FPD
North Fork VFD
North Routt County
North Washington FPD
Northwest FPD
Northwest Conejos County FPD
Nucla-Natuvita FPD
Nunn Volunteer FPD
Oak Creek FPD
Olathe FPD
Olney Springs VFD
Ouray Volunteer FPD
Pagosa FPD
Palisade VFD
Palmer Lake VFD
Parker FPD
Pawnee FPD
Pinebrook Hills FPD
Plateau Valley VFD
Platte Canyon FPD
Platte Valley FPD
Platteville/Gilcrest FPD
Pleasant View FPD
Pleasant View Metro
Poudre FA
Rangely Rural FPD
Rattlesnake FPD
Red Feather Lakes VFD
Ridgway FPD
Rifle FPD
Rio Blanco FPD
Rocky Ford VFD
Sable-Altura FPD
Silverton FD
Simla FD
Snake River FPD
South Adams County FPD
South Arkansas FPD
South Conejos FPD

South Metro Fire Rescue
Southwest Washington
County FPD
Springfield VFD
Steamboat Springs VFD
Sterling VFD
Stonewall VFD
Stratton FPD
Sugar City VFD
Sugarloaf FPD
Telluride FPD
Walsh FD
Wellington FPD
West Cheyenne FPD
West Douglas County FPD
West Metro FPD
West Routt FPD
Westminster VFD
Wet Mountain FPD
Wiggins Rural FPD
Wiley Rural FPD
Yampa FPD
Yuma VFD

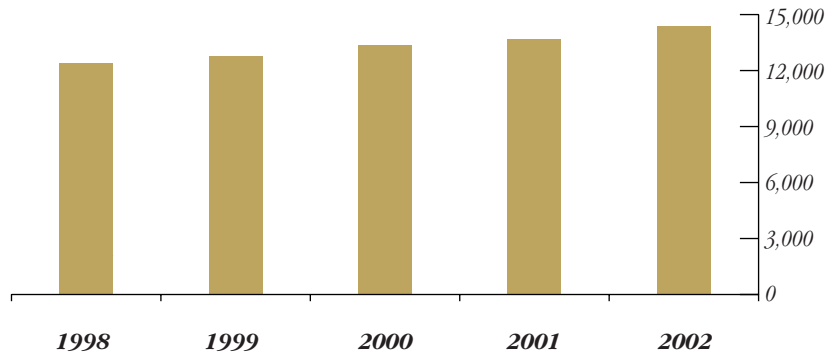
* Currently inactive, with no active members

Schedule of Average Retirement Benefits Payable

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/2002	\$1,668	52.1	63.9	24.3
12/31/2001	\$1,544	52.0	63.8	24.2

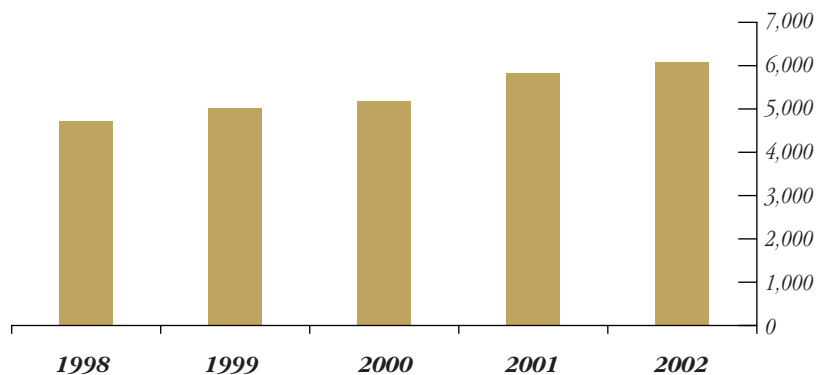
Note: Information not available prior to 12/31/01.

FPPA Active Members by Plan Type (1998-2002)



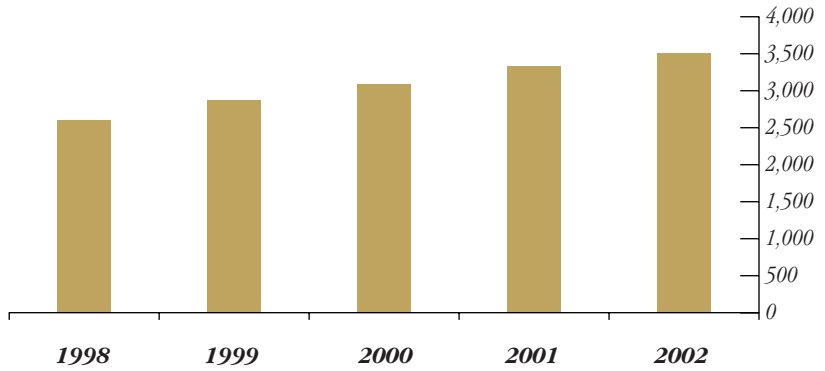
Members per plan:	1998	1999	2000	2001	2002
Local Money Purchase	99	101	114	125	126
Statewide Money Purchase	61	75	78	88	92
Death & Disability Only	4,066	4,193	4,383	4,598	4,756
Volunteers	3,540	3,600	3,827	3,798	4,294
Statewide Defined Benefit Plan	2,531	2,768	2,975	3,181	3,348
Statewide Defined Befefit Plan DROP	0	1	2	6	10
Exempt New Hires	765	810	872	890	955
Local Old Hire Plans	1,075	844	616	440	311
Local Old Hire Plans with DROP	253	397	487	524	490
TOTAL MEMBERS	12,390	12,789	13,354	13,650	14,382

FPPA Retired Members by Plan Type (1998-2002)



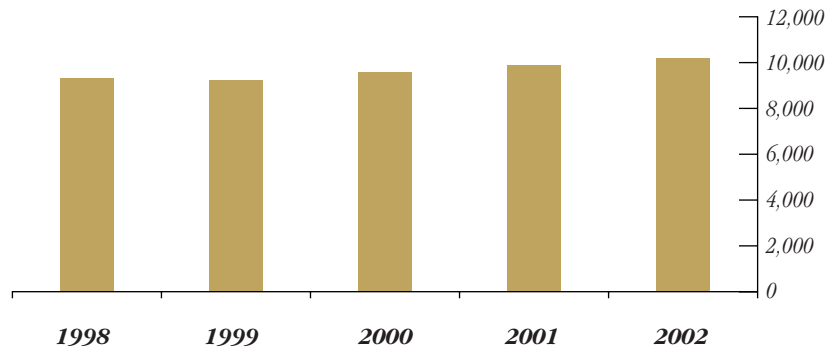
Members per plan:	1998	1999	2000	2001	2002
D&D Retirees	455	495	528	567	594
Volunteers	1,399	1,561	1,693	2,035	2,105
Statewide Defined Benefit Plan	90	104	117	146	160
All Local Plans	2,760	2,833	2,914	2,989	3,128
All Money Purchase Plans	5	4	10	46	42
Local DROP in Pay Status	0	11	26	41	47
TOTAL MEMBERS	4,709	5,008	5,288	5,824	6,076

**Statewide Defined Benefit
Plan Membership by
Status (1998-2002)**



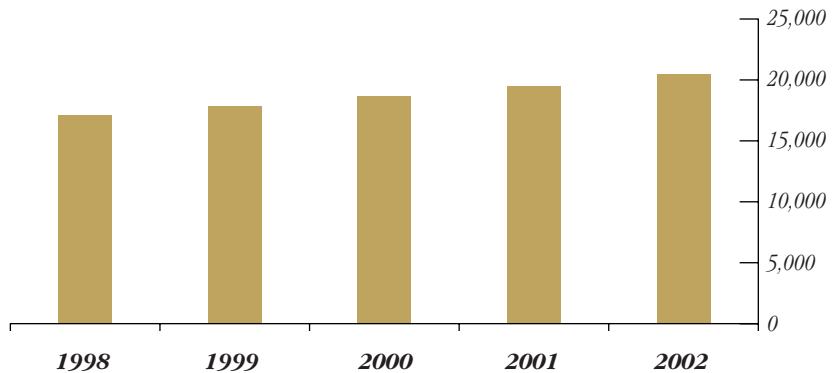
Terminated Vested	67	76	87	103	111
Retired & Beneficiaries	23	28	30	43	49
Non-vested Actives	1,614	1,771	1,866	1,986	2,089
Partially Vested Actives	896	995	1,103	1,156	1,213
Fully Vested Actives	1	2	6	45	46
TOTAL MEMBERS	2,601	2,872	3,092	3,333	3,508

**Death & Disability
Plan Membership by
Status (1998-2002)**



Disabled Retirees	331	372	402	430	462
Beneficiaries	124	123	126	137	132
Non-vested Actives	8,850	8,739	9,038	9,322	9,585
TOTAL MEMBERS	9,305	9,234	9,566	9,889	10,179

**FPPA Active and Retired
Members by Occupation
(1998-2002)**

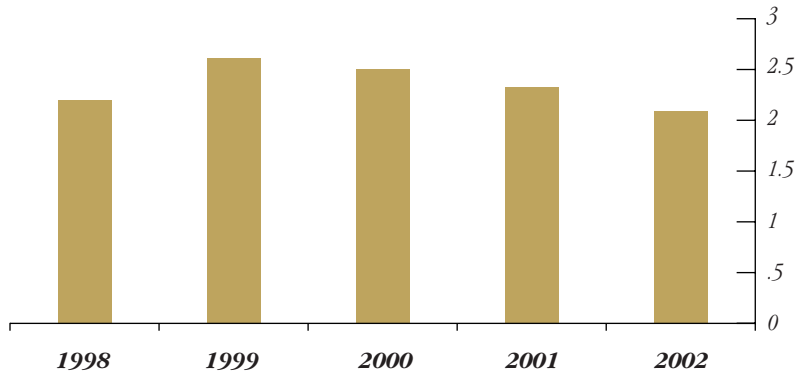


Retired Firefighters	2,921	3,152	3,312	3,777	3,943
Active Firefighters	7,228	7,479	7,909	8,065	8,748
Retired Police	1,788	1,936	1,976	2,047	2,133
Active Police	5,162	5,310	5,445	5,585	5,634
TOTAL MEMBERS	17,099	17,877	18,642	19,474	20,458

\$
(billions)

Growth of Total Pension Fund Assets (1998-2002)

(IRC 457 Plan Assets not included)



Revenues/Inflows	\$ 107,805	\$ 134,987	\$ 117,607	\$ 135,989	\$ 128,193
Withdrawals/Outflows	(95,521)	(118,802)	(136,304)	(145,985)	(156,129)
Return on Investments	250,900	396,262	(95,430)	(162,158)	(203,297)
Beginning Asset	1,939,117	2,202,302	2,614,749	2,500,622	2,328,468
TOTAL \$ in thousands (000's)	\$2,202,302	\$2,614,749	\$2,500,622	\$2,328,468	\$2,097,235

Schedule of Retired Members by Type of Benefit as of December 31, 2002

	<i>Monthly Benefit Amount</i>						<i>Total</i>
	<i><\$500</i>	<i>\$501-1000</i>	<i>\$1001-1500</i>	<i>\$1501-2000</i>	<i>\$2001-2500</i>	<i>>\$2501</i>	
Statewide Death & Disability Plan							
Occupational Disability	31	72	143	121	38	7	412
Occupational Disability-Survivor	11	3	3	0	0	0	17
Total Disability	1	1	5	8	15	18	48
Total Disability-Survivor	3	9	8	7	2	0	29
Survivor of Active	5	4	21	40	13	5	88
*Money Purchase Normal	N/A	N/A	N/A	N/A	N/A	N/A	42
Statewide Defined Benefit Plan							
Normal	9	12	8	9	4	4	46
Vested	9	57	29	11	3	2	111
Retiree-Survivor	2	1	0	0	0	0	3
Local Plan							
Disability	8	14	7	16	172	546	763
Disability-Survivor	3	8	10	206	79	10	316
Normal Retiree	1508	186	51	80	354	1115	3294
Survivor	259	53	24	124	59	18	537
Early Retiree	0	0	10	9	28	35	82
Vested Retiree	202	30	8	1	0	0	241
DROP Retiree	16	15	9	4	1	2	47
Totals	2,067	465	336	636	768	1,762	6,076

* Data not available as of 5/1/2001 due to outsourcing of record-keeping of plan.

Visitations

FPPA representatives visit firefighters and police officers from every department in the State of Colorado once every two years. The purpose of these visits is to cover information concerning retirement benefits, disability benefits and survivor benefits, as well as any pending legislation or other related information which could affect benefits.

Following the presentation, FPPA staff calculates projected retirement benefits for individual members using a computerized program which uses income information provided by the member. A hard copy printout of the projected retirement benefit and other information is then provided to the member at no charge. Staff gave approximately 299 presentations to members from 120 fire and police departments.

Educational Seminars

Year 2002 also marks FPPA's fifteenth year of offering various seminars to help members plan for retirement, both financially and psychologically. FPPA hosted two member seminars. Topics included wills, estates, taxes and trust—practical information on developing financial strategies while planning for the future; and a pre-retirement seminar for members nearing retirement. We also hosted a retiree seminar entitled "Make the Right Financial Moves in Retirement" which focused on aligning your investments for retirement income and asset allocation strategies. In addition, FPPA staff held three regional employer seminars focusing on the recent major changes to the Statewide Death & Disability plan and how these changes impact employers. The seminars continue to get excellent reviews by the attendees. FPPA strongly recommends these no-cost seminars to members, retirees and employers.

Employer Services

FPPA offers a number of services to assist municipalities and fire protection districts in administering pension plans for those police officers and firefighters not covered by the Statewide Defined Benefit and Statewide Money Purchase Pension Plans.

Employers who elect to affiliate their local money purchase plans or volunteer fire pension funds with FPPA for investment and management purposes can expect competitive rates of return on the invested funds for substantially lower administration costs than are usually available from private pension fund managers. Annual audits of the funds and periodic actuarial studies are also provided.

FPPA also administers the state volunteer matching funds program for all volunteer departments statewide, regardless of affiliation, and serves as an information resource to assist departments with questions relating to their pension plans.

Internet Access

The FPPA Web site at www.FPPACO.org continues to be a useful resource for members and employers alike. The site contains sections for benefit information, forms, publications, rules and statutes, a calendar of events and deadlines, just to name a few. The Web site also contains an Employer's section dedicated to matters of interest to employers of FPPA members. Employers will find forms and news, as well as information about transferring contributions electronically. In addition, there are interactive benefit calculators and e-mail links for direct contact with an FPPA staff member. The site is continually being updated, enhanced and expanded.

457 Deferred Compensation Plan

The FPPA Deferred Compensation Plan is governed by the provisions of Internal Revenue Code Section 457, and is therefore often called a "457 plan." Contributions to the plan consist of employee salary reduction deferrals which are not subject to federal and state income tax withholding.

The FPPA 457 Deferred Compensation Plan offers a convenient way for members to set aside money for future needs—and get a tax break today.

457 Deferred Compensation Plan Advantages to FPPA Members:

-
- Lower income taxes—money is invested before federal taxes are calculated and withheld
-
- Choose from a variety of investment options
-
- Enjoy tax-deferred growth on account earnings
-
- Invest through convenient payroll deductions
-
- Investment options that range from conservative to aggressive

Employers Participating in FPPA's 457 Deferred Compensation Plan

Alamosa Police	Glendale Police & Fire	Platteville Police
Arvada Police	Granada Police*	Poudre Fire Authority
Arvada FPD	Greeley Police	Pueblo Police & Fire
Aurora Police & Fire	Green Mountain Falls/ Chipita Park FPD*	Pueblo Rural FPD
Basalt & Rural FPD	Hugo Police	Red, White, & Blue FPD
Berthoud FPD	Idaho Springs Police*	Sable-Altura FPD*
Boulder Rural FPD	Ignacio Police	Salida Police & Fire
Brush Police	Jefferson Como FPD*	Snake River FPD
Buena Vista Police	Kremmling FPD	South Adams County FPD
Canon City Area FPD	Lake Dillon FPD	Southwest Adams County FPD*
Castle Rock Fire	Lakeside Police*	Sterling Police & Fire
Cherryvale FPD	Lochbuie Police	Stratmoor Hills FPD
Cimarron Hills FPD	Loveland Police & Fire	Telluride FPD*
Clifton FPD*	Lower Valley FPD*	Tri-Lakes FPD
Colorado Springs Police & Fire	Manitou Springs Police & Fire	Trinidad Fire
Cripple Creek Police & Fire*	Montrose FPD	Union Colony Fire Rescue
Cunningham FPD	Mountain View FPD	Upper Pine River FPD
Durango Fire & Rescue	Mountain Village Police	Vail Police & Fire
Elizabeth FPD	Northeast Teller County FPD	West Rott FPD
Federal Heights Police & Fire	North Metro FRA	Wiggins Police*
Fire & Police Pension Ass'n	North Washington FPD	Windsor Severance FPD*
Firestone Police*	Northwest FPD	Woodmoor-Monument FPD
Foothills FPD	Palisade Police & Fire	Wray Police
Fort Collins Police	Parker FPD	Yuma Police*
Fort Lupton FPD	Platte Canyon FPD	
Frederick-Firestone FPD*		

* currently no participants

457 Deferred Compensation Plan & Money Purchase Plan 2001 Rates of Return and Selected Multi-year Average Returns

	1 year	5 year	10 year	Life of Fund	457 Plan 2002 Year End Balances	Money Purchase Plan 2002 Year End Balances
Fidelity Managed Income Portfolio	5.14%	5.70%	5.82%	6.23%	\$1,360,193	\$747,522
Fidelity U.S. Fund Index	10.22%	7.44%	7.46%	8.47%	\$1,188,278	\$1,111,236
PIMCO Total Return - Administrative Class	9.92%	7.89%	N/A	8.57%	\$0	\$0
Fidelity Freedom 2000	-1.83%	5.69%	N/A	7.39%	\$85,775	\$276,185
Fidelity Freedom 2010	-6.85%	4.96%	N/A	7.49%	\$2,193,158	\$5,269,135
Fidelity Freedom 2020	-13.71%	3.01%	N/A	6.20%	\$325,738	\$391,692
Fidelity Freedom 2030	-17.31%	1.70%	N/A	5.13%	\$126,884	\$69,272
Fidelity Freedom 2040	-19.66%	N/A	N/A	-19.08%	\$96,149	\$12,853
Fidelity Freedom Income	-0.26%	5.23%	N/A	6.25%	\$0	\$13,171
Fidelity Equity - Income	-17.16%	0.59%	10.01%	12.82%	\$1,304,555	\$1,083,885
Fidelity Spartan U.S. Equity Index	-22.21%	-0.75%	9.13%	10.91%	\$1,639,236	\$961,091
Berger Mid Cap Value	-13.09%	N/A	N/A	15.12%	\$194,314	\$166,404
Fidelity Growth Company	-33.45%	1.24%	8.88%	13.39%	\$3,223,228	\$1,733,347
Fidelity OTC	-23.29%	0.64%	7.42%	13.78%	\$2,141,936	\$1,742,043
T. Rowe Price Small Cap Stock	-14.21%	3.40%	11.32%	11.58%	\$412,488	\$302,273
Fidelity Diversified International	9.37%	4.35%	10.65%	8.21%	\$135,009	\$18,754
Janus Adviser Worldwide Growth - I Class	-26.00%	0.91%	N/A	2.96%	\$597,121	\$368,765
TOTAL					\$15,024,062	\$14,267,628

Retiree Health Insurance

FPPA understands the difficulty that retirees face with regard to health insurance. We currently have drafted legislation to authorize FPPA to create a defined benefit plan to provide assistance in paying health care costs after retirement. It is too early to announce the specifics of the plan; however, we hope that our proposed plan will enable active members to contribute a percentage of their salaries to help pay health care costs after retirement. The health insurance options available at this time are mentioned below.

Retirees Under Age 65

FPPA offers the use of a service agency, The Gemini Group, Inc., to assist retirees in locating individual health insurance for the retiree and his/her family. This service agency analyzes the retiree's needs and medical history then provides information on options available to the retiree.

Medicare Eligible Retirees (Age 65 And Over)

The Group Plan

FPPA offers a group Medicare supplement plan for retirees age 65 and over who are Medicare eligible. The current plan, Pacificare Medicare + Choice Plan - Secure Horizons Group Retiree Plan, is limited to those retirees who live in the certain Colorado counties.

Individual Options

Medicare eligible retirees who do not wish to use the group plan mentioned above or who are not receiving a benefit payment directly from FPPA may contact The Gemini Group at 303-400-0726 or toll free at 1-877-332-3772 for individual plan options.

Retiree Vision Insurance

Retirees receiving a benefit payment directly from FPPA can enroll for vision care benefits through either Vision Service Plan (VSP) or Eye Med Vision Care, for themselves and their families. By offering two plans, participants have the advantage of a choice of plans, attractive monthly premiums, and access to many more doctors all over the U.S. Enrollment is voluntary and handled by the providers directly. All FPPA retirees are given information on this program when they begin receiving their benefit payment from FPPA.

For more information, on these plans please contact FPPA's Payroll Specialist at 303-770-3772 or toll free at 1-800-332-3772.

Retiree Dental Insurance

FPPA retirees may also enroll in the dental plan offered through Fortis Benefits Insurance Companies. This plan allows members to go to any dentist, nationwide. Or, if they choose, they can select from a PPO network of available dentists to save on their out-of-pocket expenses.

