

# FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

*FPPA Comprehensive Annual Financial Report  
for fiscal year ended December 31, 2003*

*under the direction of the  
**FPPA Board of Directors***

*Leo J. Johnson, Chair*

*Lyle Hesalroad, Vice Chair*

*John Bramble*

*Mark Sunderhuse*

*Todd Bower*

*Ed Lujan*

*L. Kristine Gardner*

*Ron Lappi*

*Monica Cortez-Sangster*

*and prepared by FPPA Operations Division*

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# FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

*“I think of those who were truly great . . .  
The names of those who in their lives fought for life,  
Who wore at their hearts the fire’s center.”*

*— Stephen Spender*

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

## Mission Statement

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*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, 2002

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.



*Edward Haney*  
President

*Jeffrey R. Green*  
Executive Director



**Public Pension Coordinating Council  
Public Pension Standards  
2003 Award**

Presented to

**Fire & Police Pension Association of Colorado**

In recognition of meeting professional standards for  
plan design and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

*Alan H. Winkle*

Alan H. Winkle  
Program Administrator



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**Fire & Police Pension Association**

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June 28, 2004

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, 2003. 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 163 employers participating in the Statewide Defined Benefit Plan, 43 employers with employees covered by the Statewide Money Purchase Plan, 358 employers covered by the Statewide Death and Disability Plan, 56 affiliated local defined benefit plans, 4 affiliated local money purchase plans, and 164 affiliated volunteer fire pension plans as of December 31, 2003.

The annual report for the calendar year 2003 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' Management's Discussion & Analysis, 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.

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

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## *Financial Highlights*

### **General Economic Conditions**

Supported by stimulative fiscal and monetary policies, the U.S. economy continued to improve in 2003. Low interest rates, mortgage refinancing, and mid-year tax cuts stimulated consumer spending. Businesses remained cautious in the first half of the year due to geopolitical concerns and uncertainty about the prospects for economic recovery. In the latter half of the year, business spending accelerated as productivity gains and low borrowing costs boosted corporate profits and cash flow. However, labor markets remained weak throughout the year, leading some to describe the recovery as a jobless or "jobloss" recovery.

Although the economy showed signs of improvement in 2003, economic activity was sluggish for much of the year. Uncertainty about the sustainability of the expansion led the Federal Reserve to maintain its accommodative monetary policy. The Fed lowered the target for the federal funds rate by 25 basis points to 40-year low of 1.00% at its June meeting. By the end of the year, labor

markets were showing signs of improvement and business confidence seemed to be improving. At its December meeting, the Fed indicated that it would remain accommodative for a "considerable period" with the expectation that inflation would remain low and that it could take some time to reduce the slack in labor and product markets.

Real gross domestic product, the broadest measure of the U.S. economy, grew at an average annual rate of about 2.5% for the first two quarters of 2003. The pace picked up considerably in the third quarter with growth at an annual rate of 8.2%. Real GDP growth slowed to an annual rate of 4.1% in the fourth quarter but finished the year at 3.1%. Economic growth in 2003 was primarily fueled by consumer spending on durable goods, residential investment, defense spending, and business expenditures on equipment and software.

The civilian unemployment rate continued to increase in the first half of the year, peaking at 6.3% in June compared to 6% at the end of 2002. Labor markets began to recover slowly by the end of the summer and the unemployment rate fell to 5.7% by year end. Despite rising energy prices, overall inflation remained low in 2003 at 1.9% compared to 2.4% in 2002.

In the financial markets, the U.S. stock market rallied in 2003 producing positive returns for the first year since 1999. The Russell 3000 Stock Index, a broad measure of overall U.S. stock market performance, rose 31.06% in 2003, following a loss of 21.54% in 2002. The S&P 500 Stock Index, which includes the stocks of larger companies, increased 28.67% in 2003 compared to a decline of 22.09% in 2002. Smaller company stocks, as represented by the Russell 2000 Stock Index, outperformed larger companies with a gain of 47.25% in 2003 compared to a loss of 20.48% in 2002. The technology-laden NASDAQ Index came back with a gain of 50.93% in 2003, following a loss of 31.13% in 2002. The U.S. bond market posted positive returns for the fourth consecutive year, with the Lehman Brothers Aggregate Bond Index returning 4.10% in 2003, compared to 10.25% in 2002.

International equity markets outperformed the U.S. stock market for the year. The MSCI Europe Index posted a gain of 38.54% in 2003 after falling 18.38% in 2002. The MSCI Pacific Basin Index returned 38.48% compared to a decrease of 9.29% in 2002. Emerging markets again fared better than developed markets, finishing the year with a return of 56.28% after losing 6.00% in 2002. Non-U.S. government bonds continued to outshine the U.S. market in 2003, with a return of 18.52% versus a return of 21.99% in 2002.

In the currency markets, the U.S. dollar continued to decline against most major currencies in 2003. The dollar declined 17% against the euro, closing at 0.79 euros per dollar from 0.95 at the end of 2002. The dollar fell 10% against the yen to 107.17 yen per dollar from 118.67 at the beginning of the year. Against the British pound, the dollar fell 10.6% to 0.56 from 0.62 pounds per dollar at the end of 2002.

### **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. Assets continue to exceed the liability for future benefits of all members.

For the Statwide Death & Disability Plan, assets do not exceed the pension benefit obligation as calculated according to GASB 25. The D & D contribution rate may only be changed every two years by statute. This plan will have its funding requirement determined as of January 1, 2004, and because of substantial changes to the disability benefit provisions, is expected to meet the funding objective. In particular, a temporary disability limitation is now in place which was not recognized in the January 1, 2003 actuarial valuation.

### **Independent Audit**

The accounting firm of Bondi & Co., LLP rendered an opinion as to the fairness of the Plan's 2003 financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report is included on page 19 of this report.



## *Other Programs and Services*

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During 2003, FPPA's Benefits & Communication Division continued its communication programs with members, employers and retirees. Approximately 287 presentations were made to members from 117 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 ensure 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 2003 also marks FPPA's sixteenth year of offering various seminars to help members plan for retirement, both financially and psychologically. FPPA hosted two seminars. Topics included wills, estates, taxes and trust—practical information on developing financial strategies while planning for the future; Medicare and social security information as it relates to the FPPA membership, investment strategies for the pre-retiree and retiree, and considerations when evaluating the need for long-term care insurance. 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 2003, there were 79 employers participating in the plan. 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, 4 departments have opted out of the Statewide Defined Benefit Plan to elect coverage under the Statewide Money Purchase Plan. Some department chiefs have also exercised this option.

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 2003, there were a total of 163 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 administered 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*

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### **Senate Bill 057**

This bill creates two new defined benefit plan alternatives for police and fire departments with money purchase plans. These departments may re-enter the existing Statewide Defined Benefit Plan or alternatively enter a new Statewide Hybrid Plan. The new Statewide Hybrid Plan offers a combination defined benefit and defined contribution benefit. Existing members of departments re-entering the Statewide Defined Benefit Plan pay an increased contribution rate in order to prevent adverse actuarial impact to existing Statewide Defined Benefit Plan members. This bill also decreased the vesting period for the Statewide Defined Benefit Plan to five years in order to bring a consistent vesting period to the statewide plans and facilitate the reentry of members from money purchase plans. The cost of lowering the vesting period to 5 years was 0.04% of payroll.

### **House Bill 1009**

This bill authorizes FPPA to create and implement a Health Care Defined Benefit Plan. FPPA has drafted the plan under Section 401(h) of the Internal Revenue Code. A vote was held in May 2004 of all statewide plan members (Statewide Defined Benefit Plan, Statewide Money Purchase Plan, and Statewide Hybrid Plan). If the vote passes the membership by 65%, all members of the statewide plans would contribute 1% of their salary. If less than the majority of a department's members vote in favor of adopting the plan, the employer may elect not to participate in the plan. Neither the state nor employers will have any liability for the plan.

### Senate Bill 056

This bill is commonly known as the FPPA Membership Bill. This legislation allows, but does not require, part-time firefighters and police officers to participate in FPPA retirement and disability plans, allows support staff of fire districts to become members of FPPA retirement plans with their department, and allows County sheriff departments to participate in FPPA supplemental social security plans for defined benefits and death and disability. Under the legislation fire and police members of the PERA pension plan would not be eligible to participate in the Statewide Death and Disability Plan because there is no ability to offset benefits. This bill was amended in the House of Representatives to also clarify that the FPPA Board has an obligation to provide documentation regarding state money held by FPPA required by the state auditor in conducting legislative audits.

## Accounting System and Internal Control

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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, 2003 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.

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, 2003 adequately safeguarded assets and provided reasonable assurance regarding the proper recording of financial transactions.

## Awards

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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, 2002. 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*

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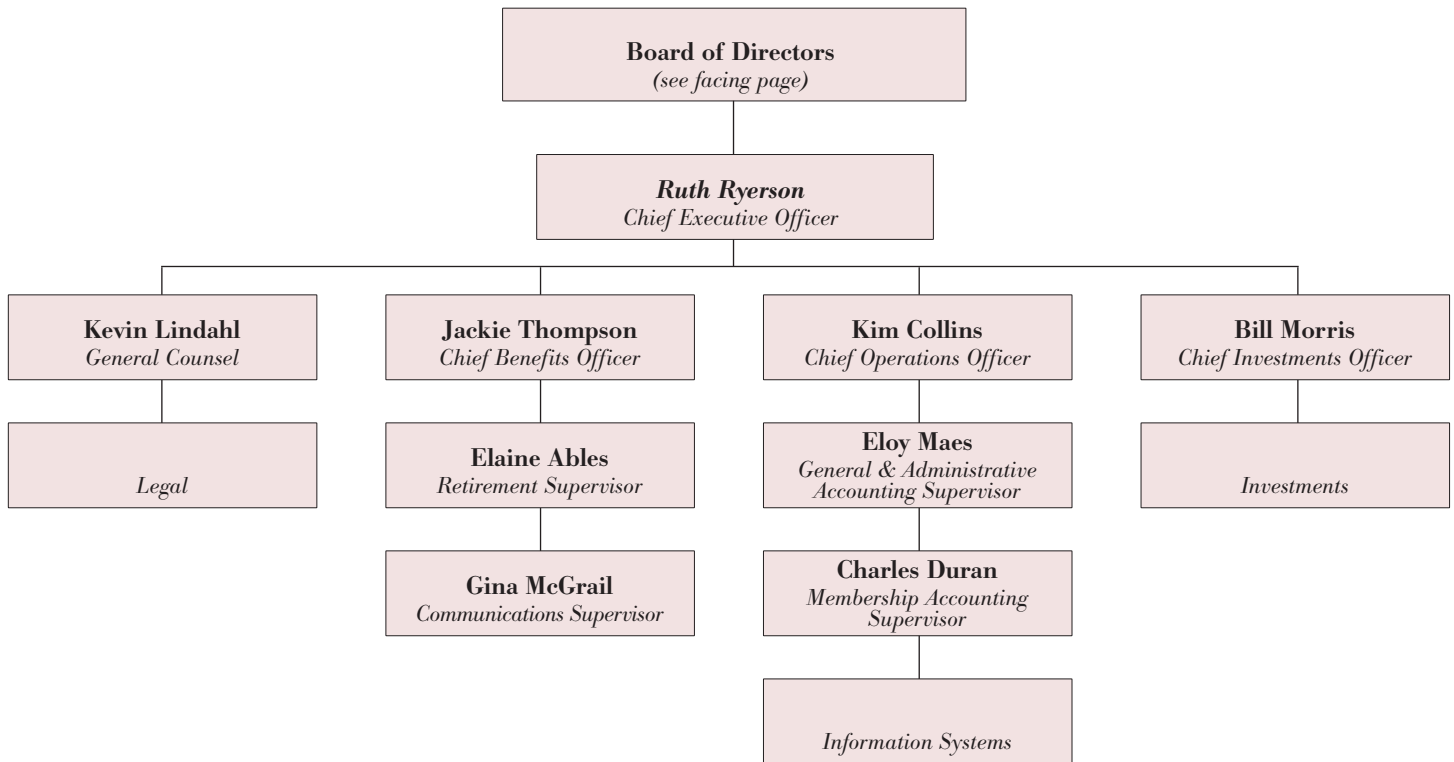
This annual report of the Fire and Police Pension Association was prepared through the combined efforts of the FPPA staff under the leadership of the Board of Directors. It is intended to provide complete and reliable information which may be used as a basis for making management decisions and as a means 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 T. 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 7:30 and 9 am and are open to the public.

Management fees are on pages 60 and 61. Brokerage commissions are listed on pages 64 and 65. Professional consultants and investment managers are listed on page 14.

**FPPA**  
Board of Directors

as of December 31, 2003



**Leo J. Johnson**

Chair of the Board  
Member since 6/16/00  
*Trustee, West Metro Fire Rescue District*  
Current term expires 8/31/07



**Lyle Hesalroad**

Vice Chair of the Board  
Member since 2/11/02  
*Retired Police Captain - Denver Police Department*  
Current term expires 9/1/05



**John Bramble**

Member since 6/16/00  
*City Manager - Brighton*  
Current term expires 8/31/07



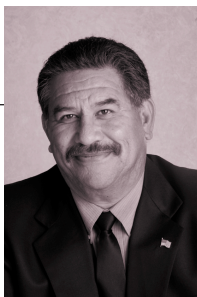
**Mark Sunderhuse**

Member since 9/1/02  
*Principal - Foresight Capital*  
Current term expires 8/31/06



**Todd Bower**

Member since 9/1/01  
*Captain - Denver Fire Department*  
Current term expires 8/31/05



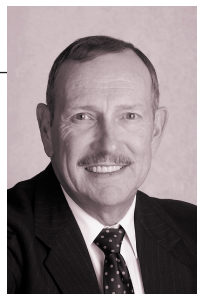
**Ed Lujan**

Member since 10/20/88  
*Captain - Denver Police Department*  
Current term expires 8/31/04



**L. Kristine Gardner**

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



**Ron Lappi**

Member since 2/11/01  
*Finance Director - Grand Junction*  
Current term expires 8/31/06



**Monica Cortez-Sangster**

Member since 8/1/03  
*Manager of Human Resources - Colorado Department of Personnel & Administration*  
Current term expires 8/31/06

## ***Professional Consultants***

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### **Actuarial**

Mellon Consultants

### **Auditor**

BONDI & Co., LLP

### **Board Medical Advisor**

Dr. Roderic Gottula

### **Investment Consultants**

Abel/Noser Corporation  
Christensen, Miller, Fink & Jacobs  
IRRC, Inc.  
Pension Consulting Alliance

### **Legal Counsel**

Christensen, Miller, Fink & Jacobs  
Davis, Graham & Stubbs  
Gorsuch, Kirgis, L. L. C.  
Lombard & Clayton  
Stealy II, Inc.

### **Master Custodian/Trustee**

Mellon Global Securities Services

## ***Investment Managers***

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### **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***

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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 5 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, 2003 and 2002, the plan had an interest of 19.0% and 17.8%, 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***

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The plan is in the nature of a self-insured employee welfare benefit plan, covering full-time employees of substantially all fire-fighter and police departments in Colorado. As of August 1, 2003, the Plan may include part-time police and fire employees. 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 eight contributing employers as of December 31, 2003, who are covered by Social Security and have also elected supplementary coverage by the statewide plan.

### **Benefits**

Benefits are established by Colorado statute.

If a member dies prior to retirement while off-duty, 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. As of October 15, 2002, if a member dies prior to retirement while on-duty, the surviving spouse is entitled to a benefit equal to 70% of the member's monthly base salary regardless of the number of dependent children. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40% for the first child and 15% for each additional child but not greater than 70% total. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children. These benefits are reduced by the amount of certain other benefits received.

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 disabled and his disability is judged to be a permanent occupational disability, he shall receive 50% of his base salary preceding disability regardless of his family status. If the member is occupationally disabled and his disability is judged to be a temporary occupational disability, he shall receive 40% of his base salary preceding disability regardless of his family status.



Total disability and permanent occupational disability benefits are reduced by the amount of certain other benefits received.

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, 2003 and 2002, the plan had an interest of 8.4% and 8.7% 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 56 local defined benefit funds, four local money purchase funds and 164 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.



**BONDI & Co. LLP**

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**Board of Directors  
Fire and Police Pension Association of Colorado  
Greenwood Village, Colorado**

**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, 2003. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FPPA as of December 31, 2003, 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.



**Affiliate Offices Worldwide**

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 5, 2004

  
BONDI & Co. LLP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following is an overview of the financial activities of the Fire and Police Pension Association for the year ended December 31, 2003. 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 3 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.

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 2003 amounted to \$554.7 million, an increase of \$630.0 million or 837.0% from 2002.

The net revenues for 2003 were comprised of \$49.4 million in member contributions, up 4.5% from \$47.3 million in 2002. Employer contributions totaled \$58.3 million in 2003, up 4.7% from \$55.7 million in 2002. The State of Colorado contributed \$2.4 million to plans affiliated with the Association in 2003. The Association's investment gain for 2003 totaled \$440.6 million. Seven volunteer fire pension plans elected to affiliate with the Association during 2003, bringing in \$3.5 million in assets.

Active membership is distributed as follows: 3,484 new hire members, up 3.8% from 3,358 in 2002; 976 exempt new hire members, up 2.2% from 955 the prior year; 641 old hire members, down (23.7%) from 801 in 2002; 225 money purchase plan members, up 3.2% from 218 last year; 4178 volunteer fire members, down (2.7%) from 4,294; and 4,874 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 gains for 2003 amounted to \$440.6 million. Interest, dividends and other investment income decreased by \$5.3 million over the prior year. Realized and unrealized gains on investment transactions increased \$654.0 million for 2003 over those in 2002. The total market value of the investment portfolio increased to \$2.500 billion, or an increase of \$387.7 million from \$2.112 billion at the end of 2002.

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 2003 is included in that section.

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 2003 totaled \$167.0 million, which is an increase of \$9.9 million or 6.3% over 2002.

Benefit payments to retirees and beneficiaries totaled \$142.5 million in 2003, up 6.3% or \$8.5 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 3.0%. Other increases ranged from 0% to 15.9% among the various local old hire plans, with average increases of 2.14% for those departments that granted increases. The number of retirees receiving benefit payments increased to 7363 as of December 31, 2003, up 17.7% from 6,255 at the end of 2002.

Administration expenses of the fund increased to \$9.2 million in 2003 from \$8.9 million in 2002. This represented an increase of 3.6% in actual dollars, and .37% and .43% in 2003 and 2002, respectively, when expressed as a percentage of total assets. Administrative expenses include money management fees, which make up 52% of total administrative expenses. Investment management fees are asset based and increase as the size of the fund increases.

### **Financial Highlights**

Plan Net Assets for all funds administered by FPPA increased \$387,708,585 during the calendar year 2003.

Affiliated Local Plans	\$ 249,850,859
Statewide Death & Disability	27,610,043
Statewide Defined Benefit	98,376,841
Members' Money Purchase	3,406,949
Members' Statewide Money Purchase	1,592,252
IRC 457 Deferred Compensation Plan	6,871,641
<b>Total Increase in Plan Net Assets</b>	<b>\$ 387,708,585</b>

For the year ended December 31, 2003, the rate of return was a positive 21.92 percent, which was more than the negative (8.6) percent for the year ended December 31, 2002. The financial markets benefited from the strengthening of the U.S. economy in 2003. The net investment gain for all of the funds including the IRC 457 Deferred Compensation Plan fund administered by FPPA for the year ended December 31, 2003 was \$440,600,246. The overall financial position of the Association improved due to better than expected returns on investment of the Fire and Police Members' Benefit Fund. There are no current known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations.

#### **Net Investment Gain**

Affiliated Local Plans	\$ 327,051,240
Statewide Death & Disability	33,650,496
Statewide Defined Benefit	71,973,701
Members' Money Purchase	2,664,642
Members' Statewide Money Purchase	864,000
IRC 457 Deferred Compensation Plan	4,396,167
<b>Total Net Investment Gain</b>	<b>\$ 440,600,246</b>

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 January 1, 2003 and 2002, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	1/1/2003	1/1/2002
Statewide Death & Disability	83.5%	99.9%
Statewide Defined Benefit	114.3%	127.0%

The Affiliated Local Plans are not listed since the necessary data to calculate a gain/loss analysis on all Local Plans was not available as of the 1/1/03 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, the better funded the plan is.

The Members' Money Purchase Plan saw its total contributions increase from \$1,034,241 to \$1,073,284. There was an increase of \$39,043 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 \$759,158 to \$796,063. There was an increase of \$36,905 due to the employer match program and an increase in the number of members participating in the plan.

The IRC 457 Deferred Compensation Plan increased from \$15,024,062 to \$21,895,703. This was caused by a net increase of \$6,871,641 in plan net assets.

## ***Overview of the Financial Statements***

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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, 2003 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 Net Assets for the year ended December 31, 2003 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 32-42 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 Expenses) are presented for the purpose of additional analysis.

## ***Comparative Financial Statements***

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### **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.

*Charts to follow*

**Defined Benefit Plan Net Assets**

	12/31/2003	12/31/2002	% Change
<b>Assets</b>			
Cash	\$ 2,747,238	\$ 1,601,677	71.5%
Short Term Investments	327,471,911	147,820,093	121.5%
Securities Lending Pool	204,591,740	129,655,436	57.8%
Total Investments	2,210,604,246	2,036,370,994	8.6%
Receivables	27,611,375	90,955,281	(69.6)%
Other Assets	1,929,339	1,709,220	12.9%
<b>Total Assets</b>	<b>2,774,955,849</b>	<b>2,408,112,701</b>	<b>15.2%</b>
<b>Liabilities</b>			
Securities Lending Obligations	204,591,740	129,655,436	57.8%
Investment and Other Liabilities	111,559,512	195,490,411	(42.9)%
<b>Total Liabilities</b>	<b>316,151,252</b>	<b>325,145,847</b>	<b>(2.8)%</b>
<b>Net Assets Available for Benefits</b>	<b>\$2,458,804,597</b>	<b>\$2,082,966,854</b>	<b>18.0%</b>

**Members' Local Money Purchase Plan**

	12/31/2003	12/31/2002	% Change
<b>Assets</b>			
Total Investments	\$14,114,405	\$10,711,473	31.8%
Receivables	43,397	39,380	10.2%
<b>Total Assets</b>	<b>14,157,802</b>	<b>10,750,853</b>	<b>31.7%</b>
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Net Assets Available for Benefits</b>	<b>\$14,157,802</b>	<b>\$10,750,853</b>	<b>31.7%</b>

**Members' Statewide Money Purchase Plan**

	12/31/2003	12/31/2002	% Change
<b>Assets</b>			
Total Investments	\$5,066,730	\$3,476,153	45.8%
Receivables	42,297	40,622	4.1%
<b>Total Assets</b>	<b>5,109,027</b>	<b>3,516,775</b>	<b>45.3%</b>
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Net Assets Available for Benefits</b>	<b>\$5,109,027</b>	<b>\$3,516,775</b>	<b>45.3%</b>



**IRC 457 Deferred Compensation Plan**

	12/31/2003	12/31/2002	% Change
<b>Assets</b>			
Total Investments	\$21,895,703	\$15,024,062	45.7%
<b>Total Assets</b>	<b>21,895,703</b>	<b>15,024,062</b>	<b>45.7%</b>
<b>Total Liabilities</b>			
	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Net Assets Available for Benefits</b>	<b>\$21,895,703</b>	<b>\$15,024,062</b>	<b>45.7%</b>

**Total Defined Benefit Plan Changes In Net Assets**

	12/31/2003	12/31/2002	% Change
<b>Additions</b>			
Employer contributions	\$57,341,861	\$54,795,940	4.6%
Member contributions	44,916,563	43,178,759	4.0%
Affiliations	3,545,138	364,746	871.9%
State contributions	2,425,586	28,060,171	(91.4)%
Investment Income/Loss	432,675,437	(201,882,193)	314.3%
Securities Lending Income	461,233	879,141	(47.5)%
<b>Total Additions</b>	<b>\$541,365,818</b>	<b>(\$74,603,436)</b>	<b>825.7%</b>
<b>Deductions</b>			
Benefit payments	\$142,466,923	\$133,970,296	6.3%
Refund of contributions	19,911,338	18,392,500	8.3%
Administrative costs	3,149,814	3,320,776	(5.1)%
<b>Total Deductions</b>	<b>165,528,075</b>	<b>155,683,572</b>	<b>6.3%</b>
<b>Change in Net Assets Available for Pension Benefits</b>	<b>\$375,837,743</b>	<b>(\$230,287,008)</b>	<b>263.2%</b>

**Total Members' Local Money Purchase Plan Changes In Net Assets**

	12/31/2003	12/31/2002	% Change
<b>Additions</b>			
Employer contributions	\$535,840	\$515,685	3.9%
Member contributions	537,444	518,556	3.6%
Investment Income/Loss	2,664,642	(1,791,817)	248.7%
<b>Total Additions</b>	<b>\$3,737,926</b>	<b>(\$757,576)</b>	<b>593.4%</b>
<b>Deductions</b>			
Benefit payments	\$0	\$0	N/A
Refund of contributions	330,977	142,972	131.5%
<b>Total Deductions</b>	<b>330,977</b>	<b>142,972</b>	<b>131.5%</b>
<b>Change in Net Assets Available for Pension Benefits</b>	<b>\$3,406,949</b>	<b>(\$900,548)</b>	<b>478.3%</b>

**Total Members' Statewide Money Purchase Plan Changes In Net Assets**

	12/31/2003	12/31/2002	% Change
<b>Additions</b>			
Employer contributions	\$400,700	\$375,247	6.8%
Member contributions	395,363	383,911	3.0%
Investment Income/Loss	864,000	(502,761)	271.9%
<b>Total Additions</b>	<b>\$1,660,063</b>	<b>\$256,397</b>	<b>547.5%</b>
<b>Deductions</b>			
Benefit payments	\$0	\$0	N/A
Refund of contributions	67,811	126,489	(46.4)%
<b>Total Deductions</b>	<b>67,811</b>	<b>126,489</b>	<b>(46.4)%</b>
<b>Change in Net Assets Available for Pension Benefits</b>	<b>\$1,592,252</b>	<b>\$129,908</b>	<b>1125.7%</b>

**Total IRC 457 Deferred Compensation Plan Changes In Net Assets**

	12/31/2003	12/31/2002	% Change
<b><i>Additions</i></b>			
Employer contributions	\$0	\$0	N/A
Member contributions	3,564,950	3,211,409	11.0%
Investment Income/Loss	4,396,167	(3,189,528)	237.8%
<b>Total Additions</b>	<b>\$7,961,117</b>	<b>\$21,881</b>	<b>36283.7%</b>
<b><i>Deductions</i></b>			
Benefit payments	\$1,089,476	\$1,161,605	(6.2)%
<b>Total Deductions</b>	<b>1,089,476</b>	<b>1,161,605</b>	<b>(6.2)%</b>
<b>Change in Net Assets Available for Pension Benefits</b>	<b>\$6,871,641</b>	<b>(\$1,139,724)</b>	<b>702.9%</b>

**STATEMENT OF PLAN NET ASSETS AVAILABLE  
FOR PENSION BENEFITS – December 31, 2003**

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	STATEWIDE DEFINED BENEFIT
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 4)	\$1,962,077	\$242,307	\$542,854
Investments (Note 4)			
Short Term Investments	233,880,439	28,883,022	64,708,450
U.S. Government Agency Obligations	73,597,294	7,854,821	17,597,649
Corporate Bonds	309,298,496	33,253,920	75,206,191
Domestic Equity Securities	700,314,432	84,482,157	189,442,260
International Equity Securities	320,868,716	39,559,192	88,626,943
International Fixed Income	7,786,926	961,645	2,154,434
Venture Capital	102,933,939	12,711,808	28,479,062
Real Estate	82,471,788	10,184,839	22,817,734
Securities Lending Investment Pool	146,119,421	18,044,991	40,427,328
<i>Total Investments</i>	<u>1,977,271,451</u>	<u>235,936,395</u>	<u>529,460,051</u>
<i>Total Cash and Investments</i>	<u>1,979,233,528</u>	<u>236,178,702</u>	<u>530,002,905</u>
Receivables			
Other	42,668	5,269	11,805
Assets Sold-Pending Trades	14,312,125	1,767,473	3,959,781
Contributions		99,026	1,362,505
Accrued Interest and Dividends	4,321,426	533,674	1,195,623
<i>Total Receivables</i>	<u>18,676,219</u>	<u>2,405,442</u>	<u>6,529,714</u>
Properties and Equipment, at Cost, Net of Accumulated Depreciation (Note 6)	<u>1,262,243</u>	<u>155,881</u>	<u>349,229</u>
<i>Other Assets</i>	<i>115,690</i>	<i>14,287</i>	<i>32,009</i>
<b>TOTAL ASSETS</b>	<b>1,999,287,680</b>	<b>238,754,312</b>	<b>536,913,857</b>
<b>LIABILITIES</b>			
Payables			
Accounts, Employee and Participants Payable	1,390,622	171,734	384,748
For Assets Purchased-Pending Trades	78,285,182	9,667,814	21,659,412
Amounts Owed for Securities Lending Transactions (Note 4)	146,119,421	18,044,991	40,427,328
<b>TOTAL LIABILITIES</b>	<b>225,795,225</b>	<b>27,884,539</b>	<b>62,471,488</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
<i>(A Schedule of Funding Progress for each Plan is presented on Page 43)</i>	<b>\$1,773,492,455</b>	<b>\$210,869,773</b>	<b>\$474,442,369</b>

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 DEFERRED COMPENSATION PLAN	COMBINED TOTALS 2002	COMBINED TOTALS 2001
<u>\$2,747,238</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,747,238</u>	<u>\$1,601,677</u>
327,471,911				327,471,911	147,820,093
99,049,764	556,338	219,095	1,425,840	101,251,037	184,988,669
417,758,607	688,578	460,906	1,186,536	420,094,627	420,185,342
974,238,849	12,869,489	4,386,729	19,283,327	1,010,778,394	832,504,231
449,054,851				449,054,851	362,345,920
10,903,005				10,903,005	20,593,843
144,124,809				144,124,809	128,435,627
115,474,361				115,474,361	116,529,050
204,591,740				204,591,740	129,655,436
<u>2,742,667,897</u>	<u>14,114,405</u>	<u>5,066,730</u>	<u>21,895,703</u>	<u>2,783,744,735</u>	<u>2,343,058,211</u>
<u>2,745,415,135</u>	<u>14,114,405</u>	<u>5,066,730</u>	<u>21,895,703</u>	<u>2,786,491,973</u>	<u>2,344,659,888</u>
59,742				59,742	42,678
20,039,379				20,039,379	80,073,412
1,461,531	43,397	42,297		1,547,225	1,569,266
6,050,723				6,050,723	9,349,927
<u>27,611,375</u>	<u>43,397</u>	<u>42,297</u>		<u>27,697,069</u>	<u>91,035,283</u>
1,767,353				1,767,353	1,598,083
161,986				161,986	111,137
<b>2,774,955,849</b>	<b>14,157,802</b>	<b>5,109,027</b>	<b>21,895,703</b>	<b>2,816,118,381</b>	<b>2,437,404,391</b>
1,947,104				1,947,104	1,298,372
109,612,408				109,612,408	194,192,039
204,591,740				204,591,740	129,655,436
<b>316,151,252</b>				<b>316,151,252</b>	<b>325,145,847</b>
<b>\$2,458,804,597</b>	<b>\$14,157,802</b>	<b>\$5,109,027</b>	<b>\$21,895,703</b>	<b>\$2,499,967,129</b>	<b>\$2,112,258,544</b>

**STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE  
FOR PENSION BENEFITS – December 31, 2003**

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	STATEWIDE DEFINED BENEFIT
<b>ADDITIONS</b>			
Contributions (Note 3)			
Employer	\$38,465,404	\$3,705,069	\$15,171,388
Plan Member	28,572,728	1,287,697	15,056,138
Affiliations	3,545,138		
State Contributions	2,425,586		
<i>Total Contributions</i>	<u>73,008,856</u>	<u>4,992,766</u>	<u>30,227,526</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	284,750,927	28,426,627	60,270,338
Interest	20,860,052	2,576,108	5,771,418
Dividends	15,965,708	1,971,682	4,417,283
Net Real Estate Investment Income	9,111,337	1,125,203	2,520,863
Other Income	705,554	87,132	195,208
<i>Total Investment Income (Loss)</i>	<u>331,393,578</u>	<u>34,186,752</u>	<u>73,175,110</u>
Less Investment Counsel	132,843	16,406	36,754
Less Investment Management Fees	3,921,687	484,308	1,085,026
Less Alternative Investment Legal Fees	20,158	2,489	5,577
Less Bank Fees	267,650	33,053	74,052
<i>Net Investment Income (Loss)</i>	<u>327,051,240</u>	<u>33,650,496</u>	<u>71,973,701</u>
Securities Lending			
Income	1,142,154	141,050	316,003
Borrowers Rebates	(702,959)	(86,812)	(194,490)
Agent Fees	(109,782)	(13,557)	(30,374)
<i>Net Securities Lending Income</i>	<u>329,413</u>	<u>40,681</u>	<u>91,139</u>
<b>TOTAL ADDITIONS</b>	<b><u>400,389,509</u></b>	<b><u>38,683,943</u></b>	<b><u>102,292,366</u></b>
<b>DEDUCTIONS</b>			
Benefit Payments	130,256,960	10,796,086	1,413,877
Refunds of Contributions	18,032,093		1,879,245
Administrative Costs	2,249,597	277,814	622,403
<b>TOTAL DEDUCTIONS</b>	<b><u>150,538,650</u></b>	<b><u>11,073,900</u></b>	<b><u>3,915,525</u></b>
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	<b>249,850,859</b>	<b>27,610,043</b>	<b>98,376,841</b>
<b>NET INCREASE AVAILABLE FOR PENSION BENEFITS</b>			
<i>Beginning of Year</i>	<u>1,523,641,596</u>	<u>183,259,730</u>	<u>376,065,528</u>
<i>End of Year</i>	<u>\$1,773,492,455</u>	<u>\$210,869,773</u>	<u>\$474,442,369</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	IRC 457 DEFERRED COMPENSATION PLAN	COMBINED TOTALS 2003	COMBINED TOTALS 2002
\$57,341,861	\$535,840	\$400,700		\$58,278,401	\$55,686,872
44,916,563	537,444	395,363	3,564,950	49,414,320	47,292,635
3,545,138				3,545,138	364,746
2,425,586				2,425,586	28,060,171
<u>108,229,148</u>	<u>1,073,284</u>	<u>796,063</u>	<u>3,564,950</u>	<u>113,663,445</u>	<u>131,404,424</u>
373,447,892	2,664,642	864,000	4,396,167	381,372,701	(272,610,008)
29,207,578				29,207,578	38,257,633
22,354,673				22,354,673	19,550,527
12,757,403				12,757,403	10,057,077
987,894				987,894	2,791,447
<u>438,755,440</u>	<u>2,664,642</u>	<u>864,000</u>	<u>4,396,167</u>	<u>446,680,249</u>	<u>(201,953,324)</u>
186,003				186,003	175,000
5,491,021				5,491,021	5,028,068
28,224				28,224	14,457
374,755				374,755	371,514
<u>432,675,437</u>	<u>2,664,642</u>	<u>864,000</u>	<u>4,396,167</u>	<u>440,600,246</u>	<u>(207,542,363)</u>
1,599,207				1,599,207	3,025,082
(984,261)				(984,261)	(1,881,893)
(153,713)				(153,713)	(264,048)
<u>461,233</u>				<u>461,233</u>	<u>879,141</u>
<b><u>541,365,818</u></b>	<b><u>3,737,926</u></b>	<b><u>1,660,063</u></b>	<b><u>7,961,117</u></b>	<b><u>554,724,924</u></b>	<b><u>(75,258,798)</u></b>
142,466,923				142,466,923	133,970,296
19,911,338	330,977	67,811	1,089,476	21,399,602	19,823,566
3,149,814				3,149,814	3,320,776
<u>165,528,075</u>	<u>330,977</u>	<u>67,811</u>	<u>1,089,476</u>	<u>167,016,339</u>	<u>157,114,638</u>
<b>375,837,743</b>	<b>3,406,949</b>	<b>1,592,252</b>	<b>6,871,641</b>	<b>387,708,585</b>	<b>(232,373,436)</b>
<u>2,082,966,854</u>	<u>10,750,853</u>	<u>3,516,775</u>	<u>15,024,062</u>	<u>2,112,258,544</u>	<u>2,344,631,980</u>
<b><u>\$2,458,804,597</u></b>	<b><u>\$14,157,802</u></b>	<b><u>\$5,109,027</u></b>	<b><u>\$21,895,703</u></b>	<b><u>\$2,499,967,129</u></b>	<b><u>\$2,112,258,544</u></b>

## NOTES TO FINANCIAL STATEMENT – December 31, 2003

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### Note 1: Organization

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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 multiple-employer defined contribution plan.

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

The IRC 457 Deferred Compensation Plan Fund is a 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

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#### (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 IRC 457 Deferred Compensation Plan was prepared using the modified accrual basis of accounting. Member and employer contributions for all plans are recognized as additions/revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. 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.

Short Term Investments include short term investment funds, repurchase agreements, commercial paper, certificates of deposit, treasury bills, and government agency issues, all with a maturity of less than one year.

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 and cash equivalents held by money managers, certificates of deposit, and demand deposits.

**(e) Property and Equipment**

Property and equipment are stated at cost, less any write-downs for impairment in value, and are 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) Income Taxes**

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

**(g) 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.

**(h) 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.

**(i) Reclassification of Prior Year Amounts**

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

**(j) 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 220 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 three distinct groups. The first of those are fire and police employees of affiliated employers hired prior to April 8, 1978, (Old Hires). The second of those are fire and police employees of affiliated employers hired after April 8, 1978.(Exempt New Hires) The final group is volunteer firefighters of affiliated plans. The membership of these groups as of December 31, 2003, are comprised as follows:

DROP Participants – Active Old Hire	424
DROP Participants–Active Exempt New Hire	5
Retirees and Beneficiaries Currently Receiving Benefits	5,195
Terminated Vested Employees Entitled To Benefits But Not Yet Receiving Them	319
Current Employees – Active Old Hire	217
Current Employees – Active Exempt New Hire	971
Current Volunteers – Active	4,178
<b>Total Members</b>	<b>11,309</b>

#### (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. As of August 1, 2003, the Plan may include part-time police and fire employees. 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. 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 2.4% of payroll as of January 1, 2003 to this fund. This percentage can vary depending on actuarial experience. In addition, there were 8 contributing employers as of December 31, 2003, who are covered by Social Security and have also elected supplementary coverage by the statewide plan.

**(3) Benefits**

Benefits are established by Colorado statute.

If a member dies prior to retirement while off-duty, 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. As of October 15, 2002, if a member dies prior to retirement while on-duty, the surviving spouse is entitled to a benefit equal to 70% of the member's monthly base salary regardless of the number of dependent children. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40% for the first child and 15% for each additional child but not greater than 70% total. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children. These benefits are reduced by the amount of certain other benefits received.

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 disabled and his disability is judged to be a permanent occupational disability, he shall receive 50% of his base salary preceding disability regardless of his family status. If the member is occupationally disabled and his disability is judged to be a temporary occupational disability, he shall receive 40% of his base salary preceding disability regardless of his family status.

Total disability and permanent occupational disability benefits are reduced by the amount of certain other benefits received.

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, 2003, are comprised as follows:

Retirees and beneficiaries receiving benefits	629
Active non-vested members	9,744
<b>Total Members</b>	<b>10,373</b>

**(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. As of August 1, 2003, the Plan may include clerical and other personnel from fire departments whose services are auxiliary to fire protection. The Plan became effective January 1, 1980. The Plan currently has 163 participating 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 pay-

roll, the actuarially determined contributions for 2003 are between \$16,870,556 (based on current law) to \$28,854,549 (based on current law with 3% permanent cost-of-living adjustment), representing 9.773% to 16.715% 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 five 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, 2003, are comprised as follows:

Retirees and beneficiaries receiving benefits	59
Terminated members entitled to benefits but not yet receiving such benefits	134
DROP Participants	23
Fully Vested	91
Partially Vested	2,000
Non-vested	1,370
<b>Total Members</b>	<b>3,677</b>

**(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, 2003.

**(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 131 contributing employees (members) at December 31, 2003.

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	19
Members:	
Partially Vested	131
<b>Total Members</b>	<b>150</b>

**(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 Members' Statewide Money Purchase Benefit Fund. As of August 1, 2003, the fund may include part-time police and fire employees. The fund may also include clerical or other personnel from fire departments whose services are auxiliary to fire protection.

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 31 contributing employers as of December 31, 2003.

**(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, 2003, are comprised as follows:

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	36
Members:	
Fully Vested	41
Partially Vested	36
Non-vested	17
<b>Total Members</b>	<b>130</b>

**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).

At December 31, 2003, 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)	2,646,888	2,921,838
<b>Total Deposits</b>	<b>\$ 2,747,238</b>	<b>\$ 3,021,838</b>

**(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 restric-

tions, 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
<b>INVESTMENTS CATEGORIZED</b>			
U.S. Government Obligations <sup>1,2</sup>	\$ 44,148,671	\$7,834,560	\$ 51,983,231
Domestic Corporate Bonds <sup>1</sup>	376,334,551		376,334,551
Domestic Stocks <sup>1</sup>	981,878,205		981,878,205
International Stocks <sup>1</sup>	430,254,062		430,254,062
International Fixed Income <sup>1</sup>	10,903,005		10,903,005
Sub-Total	\$1,843,518,494	\$ 7,834,560	\$1,851,353,054
<i><sup>1</sup> Secured by Cash Collateral</i>			
<i><sup>2</sup> Secured by Tri-Party Securities Collateral</i>			
<b>INVESTMENTS NOT CATEGORIZED</b>			
Venture Capital			144,124,809
Real Estate			115,474,361
Short Term Investments			260,778,548
Securities Lending Investment Pool			204,591,740
Investments Held by Broker – Dealers Under Securities Loans:			
U.S. Government Obligations			49,267,806
Domestic Corporate Bonds			43,760,076
Domestic Stocks			28,900,189
International Stocks			18,800,789
Short Term Investments			66,693,363
Total			\$2,783,744,735

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

U.S. Government Agency Obligations	\$ 101,251,037
Corporate Bonds	420,094,627
Domestic Equity Securities	1,010,778,394
International Equity Securities	449,054,851
International Fixed Income	10,903,005
Short Term Investments	327,471,911
Venture Capital	144,124,809
Real Estate	115,474,361
Securities Lending Investments Pool	204,591,740
Total Investments	\$ 2,783,744,735

### (3) Securities Lending

State Statute allows the Association to participate in securities lending transactions. The Association has, via a Securities Lending Authorization Agreement, authorized Mellon Global Securities Services 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, 2003, 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 102% of the market value of the loaned securities with respect to U.S. securities and 105% of the market value of loaned securities with respect to foreign securities. The Association did not impose any restrictions on the amounts of loans that Mellon Bank made on its behalf. Mellon Bank indemnified the Association by agreeing to purchase replacement securities, or to credit the Association with the market value of unreturned loaned securities, in the event a borrower failed to return the loaned securities or failed to pay distributions. There were no failures by any borrowers to return loaned securities or pay distributions during the year ended December 31, 2003. In addition, there were no losses during the fiscal year resulting from a default of the borrowers or Mellon Bank.

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, 2003, such investment pool had an estimated days to reset or maturity of 35 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, 2003, the Association had 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, 2003, was \$199,466,091. The market value of the collateral received as of December 31, 2003 is \$204,591,740.

### (4) Investment Concentration

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

## Note 5: IRC 457 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 a Pension Trust Fund for the purposes of financial statement presentation. Fund Balance Reserved for Withdrawals equaled \$21,895,703 at December 31, 2003.

### **Note 6: Property and Equipment**

Property and equipment at December 31, 2003, is comprised of the following:

General Fixed Assets	Balance December 31, 2002	Additions	Deletions	Balance December 31, 2003
Land	\$ 1,301,428			\$ 1,301,428
Buildings & Improvements	942,414	164,454		1,106,868
Equipment	718,790	93,486	(4,000)	808,276
Totals at historical cost	2,962,632	257,940	(4,000)	3,216,572
Less Accumulated Depreciation for:				
Buildings & Improvements	(753,642)	(62,066)		(815,708)
Equipment	(610,907)	(26,604)	4,000	(633,511)
Total Accumulated Depreciation	(1,364,549)	(88,670)	4,000	(1,449,219)
<b>Total Net Fixed Assets:</b>	<b>\$ 1,598,083</b>	<b>\$ 169,270</b>	<b>\$</b>	<b>\$ 1,767,353</b>

Depreciation expense totaled \$43,980 in 2003.

### **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 10.15% 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, 2003, 2002, and 2001 were \$127,525, \$109,680, and \$107,985, respectively, equal to their required contributions for each year.

## Note 9: Defined Contribution Pension Plan

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### 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, 2003 was \$75,129.

## Note 10: Financial Obligations With Off Balance Sheet Risk

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### 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 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, as an alternative to investments in the 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

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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, 2003, FPPA had committed approximately \$87.2 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
<b>Statewide Defined Benefit Plan</b>							
2003	1/1/03	\$424,088,589	\$371,056,405	\$(53,032,184)	114.3%	\$172,625,858	(30.7%)
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%)
<b>Affiliated Local Plans</b>							
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%
<b>Statewide Death &amp; Disability Plan</b>							
2003	1/1/03	\$218,151,921	\$261,133,007	\$42,981,086	83.5%	\$515,529,441	8.3%
2002	1/1/02	239,456,347	239,793,687	337,340	99.9%	484,328,830	0.1%
2001	1/1/01	240,575,733	209,233,639	(31,342,094)	115.0%	441,924,703	(7.1%)
2000	1/1/00	229,537,083	182,268,906	(47,268,177)	125.9%	413,510,444	(11.4%)
1999	1/1/99	212,356,890	179,953,848	(32,403,042)	118.0%	394,666,053	(8.2%)
1998	1/1/98	\$193,630,404	\$146,197,167	(\$47,433,237)	132.4%	\$375,057,167	(12.6%)

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

### (A) Statewide Death and Disability Plan

*Employer Contributions:*

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2003	\$ 3,698,399	100%
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%

*State of Colorado Contributions:*

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2003	\$ 0*	N/A
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%

\* 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
2003	\$ 13,810,069	100% (est.)
2002	12,544,716	100
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%

### (C) Affiliated Local Plans

*Employer Contributions:*

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2003	\$ 42,835,929	100%
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%

**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 220 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**

	<b>Statewide Death &amp; Disability</b>	<b>Statewide Defined Benefit</b>	<b>Affiliated Local Plans</b>
Valuation Date	1/1/03	1/1/03	1/1/03
Actuarial Method	Aggregate Funding <sup>1</sup>	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll	Various
Remaining Amortization Period	N/A	30 Year Open	Various
Asset Valuation Method	Smoothed Fair Value Over 3 Years	Smoothed Fair Value Over 3 Years	Smoothed Fair Value Over 3 Years
<b>Actuarial Assumptions:</b>			
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

<sup>1</sup> 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 2003.

**Affiliated Local Plans**

There were no significant factors affecting trends during 2003.

*Net Assets by Participant – December 31, 2003*

Alamosa Volunteer Fire Department (Volunteer)	\$1,234,236
Allenspark Fire (Volunteer)	209,611
Aspen Fire Protection District (Volunteer)	1,378,292
Ault Fire Protection District (Volunteer)	340,410
Aurora Police	78,962,444
Aurora Police - DROP	5,213,949
Aurora Police-Rank Escalation	13,605,885
Aurora Fire	75,898,995
Aurora Fire - DROP	3,947,910
Aurora Fire-Rank Escalation	11,631,192
Bancroft Fire Protection District	3,816,240
Bancroft Fire Protection District-Rank Escalation	1,374,056
Basalt and Rural Fire Protection District (Volunteer)	1,374,702
Bennett Volunteer Fire (Volunteer)	338,668
Berthoud Fire Protection District (Volunteer)	461,682
Black Hawk Fire Protection District (Volunteer)	18,810
* Blanca Volunteer Fire (Volunteer)	66,219
Boone Volunteer Fire (Volunteer)	31,266
Boulder Heights Fire Protection District (Volunteer)	338,178
Boulder Rural Fire Protection District (Volunteer)	515,663
Bow Mar Police	118,396
Brighton Fire (Volunteer)	3,240,605
Brush Volunteer Fire Department (Volunteer)	304,164
Brush Rural Fire (Volunteer)	326,274
Buena Vista Fire (Volunteer)	231,121
Burning Mountain Fire Protection District (Volunteer)	562,836
Calhan Fire (Volunteer)	39,304
Cañon City Area Fire Protection District	3,648,408
Cañon City Area Fire Protection District (Volunteer)	226,374
Carbondale & Rural Fire Protection District (Volunteer)	1,469,658
Cascade Fire (Volunteer)	197,031
Castle Rock Volunteer Fire Department (Volunteer)	856,576
Cedaredge Police	218,957
Central City Fire Department (Volunteer)	216,639
Central Orchard Mesa Fire Protection District (Volunteer)	108,920
Cherry Hills Fire Protection District	2,928,508
Cherryvale Fire Protection District (Volunteer)	226,509
Cheyenne County #1 Fire (Volunteer)	144,432
Clear Creek County Emergency Services District (Volunteer)	1,316,208
Clifton Fire Protection District (Volunteer)	1,829,423
Coal Creek Fire Protection District (Volunteer)	\$ 717,959

***Net Assets by Participant – December 31, 2003 (continued)***

Colorado Sierra Fire Protection District (Volunteer)	\$40,009
Colorado Springs Police	66,888,057
Colorado Springs Police-Rank Escalation	12,040,393
Colorado Springs Fire	79,286,848
Colorado Springs Fire-Rank Escalation	14,518,218
Colorado Springs Exempt Police	108,996,647
Colorado Springs Exempt Fire	64,729,166
Colorado Springs Exempt Police SRA-Actuarial	548,851
Colorado Springs Exempt Fire-SRA Actuarial	177,057
Colorado Springs Exempt Police SRA-Master	75,103
Colorado Springs Exempt Fire-SRA STIF	70,328
Colorado Springs Police - DROP	2,198,035
Colorado Springs Fire - DROP	4,640,391
Colorado Springs Police - NH DROP	21,525
Cortez Police	280,785
Cripple Creek Fire Protection District (Volunteer)	262,836
Crowley Fire Department (Volunteer)	13,663
Crystal Lake Fire Department (Volunteer)	60,160
Del Norte Police	36,758
Del Norte Fire (Volunteer)	412,597
Denver Fire	347,966,657
Denver Fire-Rank Escalation	29,945,406
Denver Fire - DROP	17,584,581
Denver Police	464,416,319
Denver Police-Rank Escalation	37,180,043
Denver Police - DROP	32,853,397
Divide Volunteer Fire (Volunteer)	48,886
Donald Westcott Volunteer Fire (Volunteer)	128,129
Dove Creek Fire (Volunteer)	109,837
Durango Police	2,438,430
Durango Fire	1,789,059
Durango Police - DROP	336,817
Durango Fire - DROP	239,885
* Durango Fire & Rescue Authority	4,275,804
Eads Volunteer Fire Department (Volunteer)	101,274
* Eaton Volunteer Fire Department (Volunteer)	589,642
Eckley Fire (Volunteer)	19,897
Elbert Fire (Volunteer)	51,862
Eldorado Fire Department (Volunteer)	115,906
Elizabeth Fire Protection District (Volunteer)	1,007,269
Englewood Police	7,084,400
Englewood Police-DROP	532,624
Englewood Fire Department	11,711,997
Englewood Fire Department (Volunteer)	324,930
Englewood Fire DROP	494,831
Erie Police	68,387
Evans Volunteer Fire Department (Volunteer)	\$ 311,372

**Net Assets by Participant – December 31, 2003 (continued)**

Evergreen Fire (Volunteer)	\$3,007,467
Falcon Fire Protection District (Volunteer)	627,226
Federal Heights Volunteer Fire Department (Volunteer)	1,400,719
Firestone Marshalls Police	51,058
Fisher's Peak Fire (Volunteer)	37,295
Florence Fire (Volunteer)	450,184
Foothills Fire Protection District (Volunteer)	934,533
Fort Morgan Fire (Volunteer)	1,152,636
Fort Morgan Rural Fire (Volunteer)	359,573
Fort Morgan Police	847,717
Franktown Fire Protection District (Volunteer)	1,190,076
Frederick Area Fire Protection District (Volunteer)	206,284
Galeton Fire (Volunteer)	217,079
Genesee Fire Protection District (Volunteer)	741,527
Glacier View Fire (Volunteer)	26,328
Glendale Volunteer Fire Department (Volunteer)	195,194
Glenwood Springs Fire Department (Volunteer)	794,408
Golden Volunteer Fire Department (Volunteer)	2,656,508
Golden Gate Fire Protection District (Volunteer)	146,345
Grand Fire Protection District (Volunteer)	887,637
Grand Junction Fire	11,346,329
Grand Junction Police	2,452,467
Grand Lake Fire (Volunteer)	1,132,018
Grand Valley Fire (Volunteer)	998,997
Greeley Police	1,711,616
Green Mountain Falls-Chipita Park Fire Protection District (Volunteer)	184,510
Gypsum Fire (Volunteer)	323,209
Hartsel Fire Protection District (Volunteer)	331,882
Haxtun Volunteer Fire Department (Volunteer)	119,710
Haxtun Police	213,008
High Country Fire Protection District (Volunteer)	962,878
Hillrose Rural Fire (Volunteer)	99,745
Holyoke (City) Volunteer Fire Department (Volunteer)	119,227
Holyoke Fire Protection District (Volunteer)	231,580
Holyoke Police	4,108
Hot Sulphur Springs-Parshall Fire Protection District (Volunteer)	91,157
Hygiene Fire (Volunteer)	418,836
Indian Hills Fire Protection District (Volunteer)	275,548
Inter-Canyon Fire Protection District (Volunteer)	733,985
Jackson 105 Fire Protection District (Volunteer)	139,976
Jefferson-Como Fire Protection District (Volunteer)	455,419
Kiowa Fire Protection District (Volunteer)	348,384
Kremmling Fire Protection District (Volunteer)	357,520
La Junta Police	1,127,207
La Junta Fire	981,035
La Junta Rural Fire Protection District (Volunteer)	319,601
Lafayette Volunteer Fire Department (Volunteer)	\$ 1,003,989



***Net Assets by Participant – December 31, 2003 (continued)***

* Lake City Fire (Volunteer)	\$15,051
Lake Dillon Fire (Volunteer)	1,974,579
Lake George Fire Protection District (Volunteer)	113,278
Lakewood Fire Protection District	13,367,542
Lakewood Fire Protection District-Rank Escalation	5,687,621
Lamar Fire	722,813
Lamar Police	127,159
Lamar Fire Protection District (Volunteer)	225,095
Larkspur Fire Protection District (Volunteer)	1,011,704
Las Animas Police	605,407
La Salle Police	449,365
La Salle Fire Protection District (Volunteer)	1,402,488
Leadville Fire	293,242
Left Hand Fire Protection District (Volunteer)	563,728
Lewis-Arriola Fire Protection District (Volunteer)	775,640
Limon Fire Department (Volunteer)	290,517
Livermore Fire Protection District (Volunteer)	27,892
Log Hill Mesa Fire Protection District (Volunteer)	55,747
Lower Valley Fire Protection District (Volunteer)	385,885
Manitou Springs Fire	413,352
Manitou Springs Volunteer Fire Department (Volunteer)	410,227
Manzanola Rural Fire Protection District (Volunteer)	71,478
Milliken Fire Protection District (Volunteer)	525,739
Montrose Fire Protection District	216,263
Montrose Fire Protection District (Volunteer)	594,051
Mountain View Fire Protection District	541,698
Mountain View Fire Protection District (Volunteer)	2,001,897
Nederland Fire Protection District (Volunteer)	156,422
* New Raymer-Stoneham Fire (Volunteer)	8,542
North Fork Fire Protection District (Volunteer)	69,294
North Routt Fire Protection District (Volunteer)	98,419
North Washington Fire Protection District	4,091,601
North Washington Fire Protection District-Rank Escalation	392,614
North Washington Fire Protection District (Volunteer)	175,064
North Washington Fire Protection District - DROP	115,861
Northeast Teller County Fire Protection District (Volunteer)	433,411
Northwest Fire Protection District (Volunteer)	317,780
Northwest Conejos Fire Protection District (Volunteer)	327,650
Nucla-Naturita Fire (Volunteer)	246,696
Nunn Fire Protection District (Volunteer)	321,938
Oak Creek Fire Protection District (Volunteer)	161,270
Olathe Fire Protection District (Volunteer)	274,697
Olney Springs Volunteer Fire Department (Volunteer)	130,627
Ouray Volunteer Fire Department (Volunteer)	155,512
Palisade Volunteer Fire Department (Volunteer)	228,119
Palmer Lake Volunteer Fire Department (Volunteer)	24,049
Paonia Police	\$ 22,163

***Net Assets by Participant – December 31, 2003 (continued)***

Parker Fire Protection District (Volunteer)	\$702,360
Pawnee Fire (Volunteer)	33,195
Pinebrook Hills Fire Protection District (Volunteer)	150,389
* Pinewood Springs Fire (Volunteer)	21,523
Plateau Valley Fire (Volunteer)	81,751
Platte Canyon Fire Protection District (Volunteer)	871,880
Platte Valley Fire Protection District (Volunteer)	1,731,915
Platteville/Gilcrest Fire Protection District (Volunteer)	1,355,904
Pleasant View Fire Protection District (Volunteer)	223,383
Pleasant View Metro Fire Protection District (Volunteer)	973,523
Poudre Valley Fire (Volunteer)	132,581
Pueblo Fire	36,691,728
Pueblo Fire-Rank Escalation	2,924,690
Pueblo Fire - DROP	2,613,155
Pueblo Police	51,204,526
Pueblo Police-Rank Escalation	7,610,283
Pueblo Rural Fire Protection District	2,433,242
Pueblo Rural Fire Protection District-Rank Escalation	399,729
Rangeley Rural Fire (Volunteer)	487,248
Rattlesnake Fire Protection District (Volunteer)	388,919
Red Feather Lakes Fire Protection District (Volunteer)	142,059
Ridgeway Fire (Volunteer)	259,483
Rio Blanco Fire Protection District (Volunteer)	918,088
Rifle Fire (Volunteer)	1,121,657
Rocky Ford Police	500,670
Rocky Ford Fire	275,860
Rocky Ford Volunteer Fire Department (Volunteer)	32,380
Sable Altura Fire Protection District (Volunteer)	457,814
Salida Fire	300,672
Salida Police	1,046,760
Silverton Fire (Volunteer)	105,824
Simla Volunteer Fire Department (Volunteer)	73,638
Snake River Fire Protection District (Volunteer)	572,068
South Adams County Fire Protection District	607,181
South Adams County Fire Protection District (Volunteer)	3,415,772
South Arkansas Fire Protection District (Volunteer)	233,410
South Conejos Fire Protection District (Volunteer)	172,205
South Metro Fire Rescue (Volunteer)	424,657
Springfield Police	491,447
Springfield Fire (Volunteer)	90,099
Steamboat Springs Volunteer Fire Department (Volunteer)	1,140,599
Sterling Fire	830,596
Sterling Volunteer Fire Department (Volunteer)	317,412
Sterling Police	1,134,600
Stonewall Fire (Volunteer)	70,355
Stratton Fire Protection District (Volunteer)	52,170
Sugar City Fire Department (Volunteer)	\$ 78,096

***Net Assets by Participant – December 31, 2003 (continued)***

Sugarloaf Fire Protection District (Volunteer)	\$303,542
SW Washington Fire (Volunteer)	25,299
Telluride Fire Protection District (Volunteer)	629,546
Thornton Fire	8,694,786
* Thornton Fire DROP	125,285
Trinidad Fire	408,369
Trinidad Fire-Rank Escalation	65,470
Trinidad Police	192,765
Union Colony Fire	9,332,178
Walsenburg Police	35,654
Walsh Fire (Volunteer)	14,901
Wellington Fire Protection District (Volunteer)	637,069
West Cheyenne Fire Protection District (Volunteer)	60,895
West Douglas County Fire Protection District (Volunteer)	479,080
West Metro Fire (Volunteer)	773,955
West Routt Fire Protection District (Volunteer)	1,413,216
Westminster Fire (Volunteer)	3,025,203
Wet Mountain Fire (Volunteer)	570,088
Wiggins Fire (Volunteer)	430,294
Wiley Rural Fire Protection District (Volunteer)	74,577
Yampa Fire Protection District (Volunteer)	296,554
Yuma Fire (Volunteer)	259,535
<b>Total Net Assets By Participant</b>	<b>\$1,773,492,455</b>

\* New Affiliation in 2003

***Payments to Consultants***

<b>Actuarial Consultants</b>	
Buck Consultants	\$ 148,500
<b>Auditors</b>	
Bondi & Co. LLP	33,210
<b>Investment Counsel</b>	
Pension Consulting Alliance	130,000
IRRC, Inc.	29,500
Abel/Noser Corporation	5,000
Christensen, Miller, Fink & Jacobs	21,503
<b>Legal &amp; Legislative Counsels</b>	
Davis, Graham, & Stubbs	28,683
Gorsuch Kirgis LLP	42,652
Christensen, Miller, Fink & Jacobs – Alternative Investment Legal Fees	28,224
Stealy II, Inc.	31,500
Lombard & Clayton	10,000
<b>Medical Consultant</b>	
Roderic Gottula, M.D./Correctional MED/LEGAL Consultants	36,471
<b>Total Payments to Consultants</b>	<b>\$ 545,243</b>

**Schedule of Administrative and Investment Expenses – December 31, 2003**

(With comparative totals for December 31, 2002, 2001, 2000, 1999 and 1998)

<i>Expense Group</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
<b>PROFESSIONAL CONTRACTS</b>						
Actuarial Contract	\$148,500	\$174,885	\$141,547	\$141,352	\$197,700	\$130,000
Audit Fees	33,210	31,225	30,000	29,000	28,000	27,000
Computer Maintenance & Lease	107,532	92,150	140,483	67,494	87,602	120,653
Insurance & Bonding	104,251	91,770	87,394	84,942	79,516	91,889
Legal & Legislative Counsel	111,631	109,660	77,946	92,500	100,000	90,301
Management Consulting	0	4,720	30,000	2,500	20,000	37,492
Medical Exam Fees	142,455	130,642	117,717	150,100	154,214	133,500
Hearing Officers - D&D	5,375	3,947	6,980	4,274	2,966	5,215
Outside Svcs/Contract Help	10,781	16,931	8,277	3,144	4,934	1,296
Records Management	3,852	5,254	5,701	6,313	51,400	4,289
<i>Total Professional Contracts</i>	<i>\$667,587</i>	<i>\$661,184</i>	<i>\$646,045</i>	<i>\$581,619</i>	<i>\$726,332</i>	<i>\$641,635</i>
<b>PERSONNEL SERVICES</b>						
Salaries	\$1,629,422	\$1,581,473	\$1,572,031	\$1,426,576	\$1,373,899	\$1,254,737
Employee Benefits	370,754	350,602	258,869	300,238	330,316	287,588
Employment Programs	7,494	9,562	14,624	15,553	10,883	7,268
<i>Total Personnel Services</i>	<i>\$2,007,670</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>
<b>STAFF EDUCATION</b>						
Tuition Assistance Program	\$15,348	\$14,088	\$ 8,691	\$ 16,466	\$ 11,192	\$ 12,165
Conferences & Seminars	24,948	28,599	28,241	32,762	28,570	30,133
<i>Total Staff Education</i>	<i>\$40,296</i>	<i>\$42,687</i>	<i>\$36,932</i>	<i>\$49,228</i>	<i>\$39,762</i>	<i>\$42,298</i>
<b>OTHER OPERATING EXPENSES</b>						
Company Vehicles	\$4,439	\$3,931	\$7,251	\$7,200	\$7,017	\$2,202
Board Expenses	44,439	74,379	78,343	84,492	86,765	80,390
Data Processing Supplies	11,544	15,182	13,396	13,151	13,198	10,467
Equipment Rental & Maint.	37,406	36,644	39,495	37,524	19,755	21,353
Meetings & Travel	27,281	28,172	24,584	24,659	28,138	21,296

*Schedule of Administrative and Investment Expenses (continued)*

<i>Expense Group</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>OTHER OPERATING EXPENSES (cont'd)</b>						
Operating Exp. Two DTC	(15,441)	88,742	8,913	13,418	0	25,930
Other (misc.)	28	984	1,299	2,200	1,368	3,932
Postage	66,909	63,744	62,590	55,414	50,605	42,781
Printing & Mailing	145,465	143,412	137,942	131,646	88,099	90,916
Retirement Services	8,870	14,197	14,246	8,862	16,619	4,562
Staff Expense	3,797	4,960	5,323	5,255	5,227	4,716
Subscriptions & Dues	10,805	8,674	15,092	16,000	15,858	14,088
Supplies	24,305	30,507	35,732	54,249	38,592	46,164
Telephone	20,434	20,981	23,219	17,282	18,815	18,557
<i>Total Other Operating Expense</i>	<i>\$390,281</i>	<i>\$534,509</i>	<i>\$467,425</i>	<i>\$471,352</i>	<i>\$390,056</i>	<i>\$387,354</i>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$3,105,834</b>	<b>\$3,180,017</b>	<b>\$2,995,928</b>	<b>\$2,844,566</b>	<b>\$2,871,248</b>	<b>\$2,620,880</b>
Depreciation Expense	43,980	140,759	126,085	155,555	127,967	131,092
<b>TOTAL ADMINISTRATIVE EXPENSE</b>	<b>\$3,149,814</b>	<b>\$3,320,776</b>	<b>\$3,122,013</b>	<b>\$3,000,121</b>	<b>\$2,999,215</b>	<b>\$2,751,972</b>
<b>CAPITAL EXPENDITURES</b>	<b>48,797</b>	<b>55,386</b>	<b>223,543</b>	<b>21,471</b>	<b>71,113</b>	<b>53,638</b>
<b>TOTAL ADMINISTRATIVE EXPENSE AND CAPITAL</b>	<b>\$3,198,611</b>	<b>\$3,376,162</b>	<b>\$3,345,556</b>	<b>\$3,021,592</b>	<b>\$3,070,328</b>	<b>\$2,805,610</b>

<i>Expense Group</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>INVESTMENT FEES</b>						
Investment Counsel	\$ 186,003	\$ 175,000	\$ 177,499	\$ 142,501	\$ 90,000	\$ 90,000
Investment Mgmt. Fees	5,491,021	5,028,068	4,422,092	4,925,713	4,814,483	4,209,531
Alternative Investment Legal Fees	28,224	14,457	46,277	21,230	48,777	68,272
Bank Fees	374,755	371,514	379,146	384,146	206,506	204,324
<i>Total Investment Fees</i>	<i>\$6,080,003</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>

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# Investment Section

*General Information*

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 \$2.5 billion in market value as of December 31, 2003. Specifically, the Association is responsible for managing four separate retirement funds: the Members' Benefit Fund (\$2.459 billion), the Members' Money Purchase Plan Benefit Fund (\$14.158 million), the Members' Statewide Money Purchase Plan Benefit Fund (\$5.109 million) and the IRC 457 Deferred Compensation Fund (\$21.896 million) ("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 IRC 457 Deferred Compensation Plan Fund permits employees of FPPA and participating fire and police departments to defer a portion of their salaries to future years. Participants direct the investment of their contributions among various investment options.

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.

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## *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 over 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.

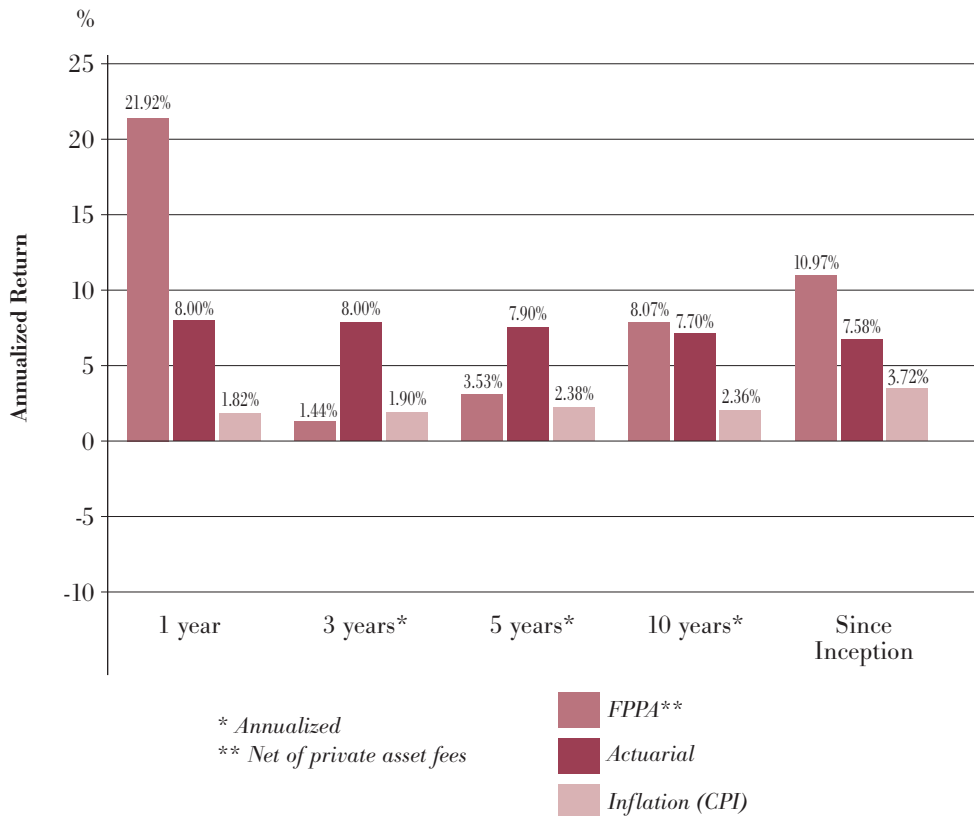
Each professional investment management firm retained by the Board to manage a separate account must execute an Investment Manager Agreement, the form and substance of which is mutually agreed upon. Each of these firms must also agree, in writing, to abide by the policies and guidelines of the Association's 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 invested on a daily basis in 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. 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

***FPPA Fund Return vs. Inflation and Actuarial Requirements (inception - 2003)***





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 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.

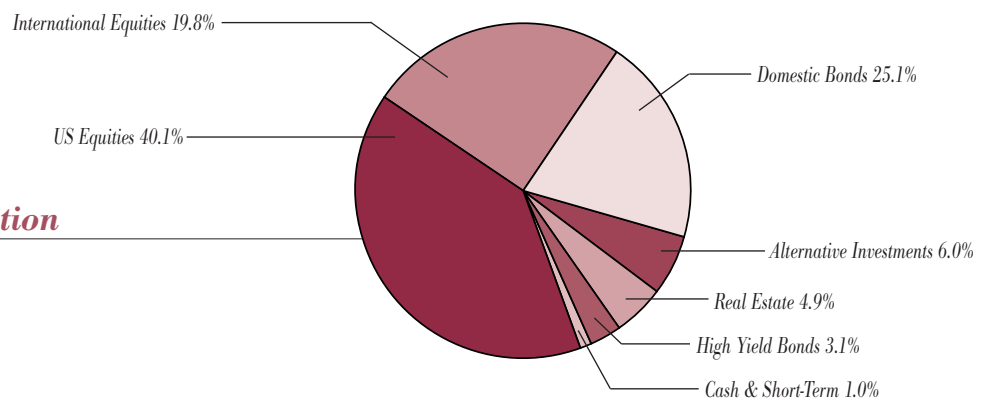
Diversification is the key to effective risk management. Management of asset class allocations and diversification of investment approaches (i.e., index funds, active core, active specialty) enables the Association to more effectively control the fund’s risk/reward parameters. The fund’s assets are diversified 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 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.

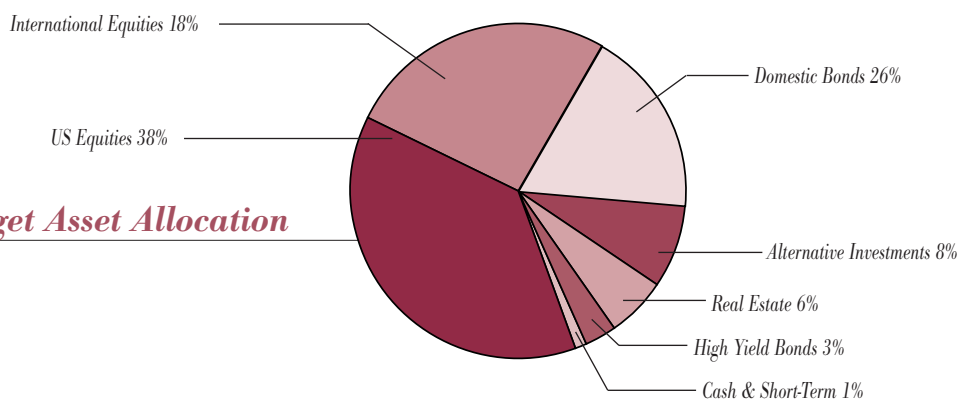
The Board is conscious of the need to evaluate the risk in the investment program and uses several gauges to monitor risk. They include, but are not limited to, variation in the asset mix from the policy, variability of returns, relative performance results, diversification measures, financial characteristics 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 2003 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 alternative investments 8%.

**2003 Asset Allocation**



**2003 Target Asset Allocation**



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, 2003, the Association employed the external investment managers listed in the table on page 60.

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***Members' Money Purchase Plan Benefit Fund,  
Members' Statewide Money Purchase Plan Benefit Fund  
and IRC 457 Deferred Compensation Plan Fund***

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**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"). Members of the plans direct their contributions to one or more of the investment options selected by the Board.

The IRC 457 Deferred Compensation Plan Fund includes the assets of deferred compensation plans administered by the Board. Participants in these plans may direct 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, and International Equity.

For the funds, as of December 31, 2003 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 20 investment options across various asset classes including ten 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>
<b>Fixed Income</b>		
Government bonds	\$57,138,991	2.39%
Corporate bonds	168,703,644	7.06%
Mortgage backed securities	179,904,780	7.53%
Asset backed securities	17,748,188	0.74%
International bonds	32,286,616	1.35%
Emerging markets bonds	15,724,717	0.66%
Municipal bonds	12,259,052	0.51%
<i>Total fixed income</i>	<i>\$483,765,989</i>	<i>20.24%</i>
<b>Common Stock</b>		
Consumer Discretionary	\$217,936,267	9.12%
Consumer Staples	101,116,137	4.23%
Energy	87,324,895	3.65%
Financials	300,419,099	12.70%
Health Care	166,905,117	6.98%
Industrials	157,175,160	6.58%
Information Technology	185,670,194	7.77%
Materials	62,051,512	2.60%
Telecommunications	72,030,842	3.01%
Utilities	40,087,298	1.68%
<i>Total common stock</i>	<i>\$1,393,716,521</i>	<i>58.32%</i>
<b>Alternative investments</b>		
Real estate	\$92,861,811	3.89%
Timberlands	25,020,846	1.05%
Venture capital & other private equity	144,124,809	6.03%
<i>Total alternative investments</i>	<i>\$262,007,466</i>	<i>10.96%</i>
<b>Short-term investments</b>		
Temporary Investment Fund	\$147,486,753	6.17%
Government and agency issues	82,644,218	3.46%
Commercial paper	90,448,440	3.79%
Other cash & cash equivalents	13,030,601	0.55%
Net pending trades	(83,522,306)	-3.50%
<i>Total short-term investments</i>	<i>\$250,087,706</i>	<i>10.47%</i>
	<b>\$2,389,577,683</b>	<b>100.00%</b>

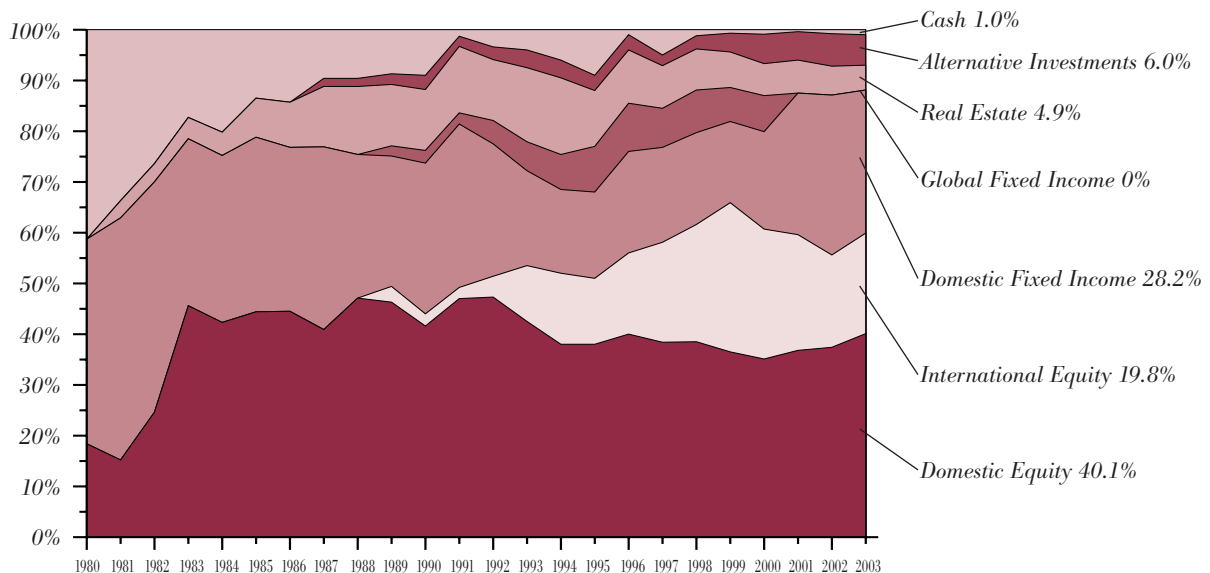
***Asset Allocation by Category & Investment Manager***

ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
<b>Domestic Equities</b>				
TH&B	Small Cap Core	\$686,280	\$76,578,124	3.20%
SSGA S&P/Barra Growth Index	S&P/Barra Growth Index	15,644**	153,313,724	6.42%
SSGA S&P/Barra Value Index	S&P/Barra Value Index	7,671**	160,063,132	6.70%
SSGA S&P 500	S&P 500 Index	18,370**	252,930,517	10.58%
Brandywine	Small Cap Value	219,396	43,997,858	1.84%
Fiduciary Asset Management	Large Cap Core	184,478	117,975,897	4.94%
Legg Mason	Large Cap Core	315,730	116,610,396	4.88%
US Bancorp	Small Cap Growth	139,980	36,447,424	1.53%
<i>Total Domestic Equities</i>			<u>\$957,917,072</u>	<u>40.09%</u>
<b>Domestic Fixed Income</b>				
Bradford & Marzec, Inc.	Active	42,628	0	0.00%
Trust Company of the West	High Yield	368,515	73,725,672	3.09%
PIMCO	Active	670,261	297,104,828	12.43%
Western Asset Mgmt	Active	150,637	302,082,094	12.64%
<i>Total Domestic Fixed</i>			<u>\$672,912,593</u>	<u>28.16%</u>
<b>International Equities</b>				
Baillie Gifford Overseas Ltd.	Active Emerging Markets	185,101	28,876,363	1.21%
Jarislowsky Fraser Ltd.	Active EAFE	268,221	51,700,520	2.16%
Morgan Stanley	Active/Passive EAFE	478,095	158,362,150	6.63%
Putnam International	Active EAFE	616,784	0	0.00%
Rexiter Capital Management	Active Emerging Markets	207,305	32,273,572	1.35%
State Street Global Advisors	Passive EAFE Index		202,142,390	8.46%
<i>Total International Equities</i>			<u>\$473,354,995</u>	<u>19.81%</u>
<b>Real Estate</b>				
JP Morgan Fleming	Directly Owned	105,252*	20,753,307	0.87%
JP Morgan Fleming	Pooled	151,884*	22,060,780	0.92%
PRISA	Pooled	164,851*	16,736,733	0.70%
RREEF	Pooled	106,811*	17,250,527	0.72%
Hancock Timber	Timber	294,014*	25,020,846	1.05%
Apollo RE	Opportunistic	108,670*	7,974,279	0.33%
Blackstone RE	Opportunistic	109,052*	5,698,269	0.24%
Internal	Directly Owned		2,408,296	0.10%
<i>Total Real Estate</i>			<u>\$117,903,036</u>	<u>4.93%</u>
<b>Alternative Investments</b>				
ABS Capital Partners II		39,988*	570,248	0.02%
Apollo Investment Fund IV		46,394*	8,817,138	0.37%
ARCH Venture V		113,957*	1,871,311	0.08%
Aurora Equity Partners II		148,621*	9,870,354	0.41%
Avenue Special Situations II		113,656*	5,949,504	0.25%
Blackstone Capital Partners		65,547*	9,476,434	0.40%
Boston Ventures V		38,691*	2,711,675	0.11%
Candover Partners		35,703*	3,584,769	0.15%
Catterton Partners V		79,006*	685,420	0.03%
Centennial Funds		194,012*	2,460,940	0.10%
Charles River Partnership VI		*	202,861	0.01%

ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
Chisholm Funds		420,211*	11,121,146	0.47%
Coller International Partners IV		150,000*	998,906	0.04%
Columbine Venture Fund II		*	669,983	0.03%
CVC European Equity III		116,795*	4,830,601	0.20%
Doughty Hanson & Co. Funds		79,448*	4,808,858	0.20%
First Reserve Funds		155,994*	11,910,973	0.50%
Glenwood Ventures II		*	21,922	0.00%
Green Equity Investors IV		*	130,816	0.01%
Hancock Falcon Ventures		*	264,994	0.01%
Hancock Intl Venture		*	656,724	0.03%
Harvest Funds		129,526*	6,079,310	0.25%
Heritage Funds		136,618*	5,058,463	0.21%
Larimer Venture II		*	243,148	0.01%
Lighthouse Capital Partners V		*	375,000	0.02%
MatlinPatterson Global Opptys		131,251*	8,329,292	0.35%
Nordic Capital Funds		159,717*	3,952,769	0.17%
Oxford Bioscience IV		125,000*	2,120,953	0.09%
SKM Equity Fund II		47,463*	4,304,948	0.18%
Sprout Capital Partners Funds		49,574*	3,371,467	0.14%
TCW Special Credits Fund III		*	91,692	0.00%
Thomas H. Lee Equity Funds		64,136*	5,621,669	0.24%
Thomas McNerney & Partners		154,974*	1,219,484	0.05%
TPG Partners Funds		146,976*	13,930,307	0.58%
Vestar Funds		148,780*	6,607,967	0.28%
Willis Stein Partners		24,844*	1,203,064	0.05%
<i>Total Alternative Investments</i>			<i>\$144,125,110</i>	<i>6.03%</i>
Cash Held at Mellon Bank			\$23,364,876	0.98%
<b>TOTAL ASSETS</b>			<b>\$2,389,577,683</b>	<b>100.00%</b>

\* Fees net of trust fund income  
\*\* Fees net of securities lending income

**FPPA Asset Allocation 1980-2003 – Members’ Benefit Fund**



# Investment Section

“Top 20” Holdings

## “Top 20” Equity Holdings

<i>Company</i>	<i>Market Value</i>
UNITED HEALTH GROUP INC COM	\$10,937,840
NEXTEL COMMUNICATIONS INC CL A	\$10,662,800
AMAZON.COM INC COM	\$9,903,084
BP PLC ORD USD.25	\$7,895,251
TYCO INTL LTD NEW COM	\$7,817,500
VODAFONE GROUP PLC ORD USD0.10	\$7,306,405
HSBC HLDGS ORD UDS0.50 (UK)	\$6,994,657
GLAXOSMITHKLINE ORD GBP0.25	\$6,969,750
MGIC INVT CORP WIS COM	\$6,562,335
CITIGROUP INC COM	\$6,217,974
INTERACTIVE CORP COM	\$6,144,723
NOVARTIS AG CHF0.50 (REGD)	\$5,951,650
INTERNATIONAL GAME TECHNOLOGY	\$5,369,280
TOTAL SA EUR10	\$5,235,034
NESTLE SA CHF1	\$5,212,587
ROYAL DUTCH PETE CO EUR.56	\$5,132,829
MBNA CORP COM	\$5,096,735
MERRILL LYNCH & CO INC	\$4,809,300
ELECTRONIC ARTS	\$4,777,536
ROCHE HLDG AG GENUSSSCHEINE NPV	\$4,697,479

## “Top 20” Fixed Income Holdings

<i>Company</i>	<i>Description</i>	<i>Market Value</i>
GNMA SF MTG 5.00%	January 15, 2034	\$31,053,534
GNMA SF MTG 6.00%	January 15, 2034	\$18,505,659
FNMA SF MTG 4.50%	January 1, 2019	\$16,017,501
US TREASURY INFLATION INDEX NT 3.625%	January 15, 2008	\$11,097,459
FNMA SF MTG 6.00%	January 1, 2019	\$9,963,125
US TREASURY INFLATION INDEX BD 3.875%	April 15, 2029	\$9,603,814
FNMA SF MTG 7.00%	January 1, 2034	\$7,728,875
U S TREASURY BONDS 5.375%	February 15, 2031	\$7,176,700
GERMANY (FED REP) BDS EUR0.01 4.25%	March 12, 2004	\$6,441,961
U S TREASURY NTS 1.625%	October 31, 2005	\$5,092,031
US TREASURY INFLATION INDEX NT 3.375%	January 15, 2007	\$4,935,472
GNMA SF MTG 6.50%	January 15, 2034	\$4,667,421
FHLMC GOLD SFM 7.50%	January 1, 2034	\$4,387,000
FNMA POOL #0720486 4.00%	August 1, 2018	\$4,309,909
US TREASURY INFLATION INDEX BD 3.625%	April 15, 2028	\$4,252,977
FNMA POOL #0727370 4.00%	August 1, 2018	\$3,773,925
FNMA POOL #0726938 4.50%	August 1, 2033	\$3,326,553
MEXICO UNITED MEXICAN STS US\$ 11.50%	May 15, 2026	\$3,083,175
WEYERHAEUSER CO NT 5.50%	March 15, 2005	\$2,810,943
FEDERAL NATL MTG ASSN DEBS 6.125%	March 15, 2012	\$2,784,188
IMPAC CMB TR 03-10 CL 1-A Variable Rate	December 25, 2033	\$2,724,335

**Fund Performance Summary as of December 31, 2003**

SERIES NAME BENCHMARK INDICES	<i>1 year Return</i> %	<i>3-year Annualized</i> <i>Return</i> %	<i>5-year Annualized</i> <i>Return</i> %
FPPA Total Fund	22.17%	1.63%	3.72%
Custom Total Fund Benchmark <sup>1</sup>	24.02	1.74	3.29
Public Fund Median (Callan Assoc.)	21.00	2.54	4.45
Domestic Equity Accounts	31.28	(0.78)	1.27
Russell 3000 Stock Index	31.06	(3.08)	0.37
International Equity Accounts	36.29	(1.57)	3.61
MSCI All Country World Ex US Index	41.41	(0.96)	1.55
Domestic Fixed Income Accounts	9.07	8.68	6.94
Lehman Brothers Aggregate Index	4.10	7.57	6.62
Lehman Brothers Universal Index	5.82	7.90	6.88
All Real Estate Accounts	7.31	3.68	6.08
NCREIF Property Index	8.97	7.66	9.30
All Alternative Accounts	7.42	(4.65)	5.43
Russell 3000 Index plus 400 basis points	35.06	1.01	4.44
Cambridge Custom Benchmark <sup>2</sup>	8.12	(10.75)	7.81

NOTE: Performance was calculated by investment staff using market values and cash flows provided by the custodian bank. Returns were calculated using time-weighted rates of return in accordance with the Association for Investment Management and Research Performance Presentation Standards. Adjustments were made for significant cash flows (10% of the portfolio or greater) or the Modified-Dietz method was used. Performance is presented gross of investment management fees.

<sup>1</sup> Composite of the index benchmark returns of each asset class multiplied by their target asset allocations.

<sup>2</sup> Composite of Cambridge Private Equity Index (82.5%) and Cambridge Venture Capital Index (17.5%), one quarter in arrears

***Schedule of Brokerage Commissions***

Broker Name	Commission	Shares	Per Share
SALOMON BROTHERS	\$13,089	61,300,171	\$0.000
UNION BANK OF SWITZERLAND	\$121,579	9,780,089	\$0.012
MORGAN STANLEY & CO	\$135,533	8,762,179	\$0.015
CREDIT LYONNAIS	\$56,078	6,834,786	\$0.008
GOLDMAN SACHS	\$71,643	5,549,334	\$0.013
DEUTSCHE BANK	\$71,126	5,075,472	\$0.014
NATIONAL SECURITIES CORPORATION	\$6,070	4,241,000	\$0.001
MERRILL LYNCH	\$49,247	4,189,792	\$0.012
BNP PARIBAS PEREGRINE SECURITIES LTD	\$758	3,775,000	\$0.000
LEHMAN BROTHERS	\$75,774	3,669,807	\$0.021
PERSHING	\$20,319	3,635,432	\$0.006
LYNCH JONES & RYAN	\$115,203	2,409,315	\$0.048
DRESDNER KLEINWORT	\$8,493	2,334,497	\$0.004
ING BANK	\$8,904	2,251,140	\$0.004
CITIGROUP GLOBAL MARKETS	\$19,253	2,212,742	\$0.009
ABN AMRO	\$14,231	1,941,664	\$0.007
CREDIT AGRICOLE INDOSUEZ SECURITIES	\$341	1,600,000	\$0.000
NOMURA SECURITIES	\$7,629	1,438,235	\$0.005
HSBC	\$7,646	1,435,462	\$0.005
SG COWEN SECURITIES	\$8,519	1,424,656	\$0.006
INVESTMENT TECHNOLOGY GROUP	\$20,169	1,324,181	\$0.015
CAZENOVE & CO	\$4,767	1,206,228	\$0.004
B TRADE SERVICES	\$17,494	856,491	\$0.020
INSTINET	\$14,420	714,570	\$0.020
KLEINWORT BENSON SECURITIES	\$3,938	619,923	\$0.006
STATE STREET	\$4,958	584,554	\$0.008
FRANK RUSSELL	\$27,619	571,629	\$0.048
CIBC	\$462,725	505,857	\$0.915
FRANK RUSSELL SECURITIES	\$25,070	501,400	\$0.050
JP MORGAN SECURITIES	\$21,284	288,813	\$0.074
BARING SECURITIES LTD	\$2,860	484,000	\$0.006
CREDIT SUISSE	\$65,077	431,684	\$0.151
BEAR STEARNS	\$10,423	410,184	\$0.025
CANTOR FITZGERALD & CO	\$13,845	390,105	\$0.035

*Continued on next page*



***Schedule of Brokerage Commissions (continued)***

JEFFERIES & CO	\$13,247	297,810	\$0.044
J P MORGAN	\$9,966	277,495	\$0.036
TIR SECURITIES	\$373	254,000	\$0.001
FRIEDMAN BILLINGS	\$12,588	251,760	\$0.050
LIQUIDNET	\$4,708	230,130	\$0.020
DAIN RAUSCHER	\$9,435	197,319	\$0.048
SANFORD C BERNSTEIN & CO	\$4,435	190,508	\$0.023
BAIRD, ROBERT W & CO	\$8,727	188,840	\$0.046
DEXIA BK	\$709	182,596	\$0.004
WILLIAM BLAIR & CO	\$8,539	174,700	\$0.049
CHINA INTERNATIONAL CAPITAL CORP.	\$501	144,000	\$0.003
WACHOVIA SECURITIES	\$6,717	139,500	\$0.048
PUNK, ZIEGEL & KNOELL	\$5,665	129,800	\$0.044
NATIONAL AUSTRALIA	\$1,559	124,984	\$0.012
NEEDHAM & CO	\$5,086	123,110	\$0.041
COLLINS STEWART & CO	\$910	122,231	\$0.007
ALL OTHER BROKERS	\$151,300	\$3,828,553	\$0.040
TOTALS	\$1,750,546	149,607,728	\$0.012



Human Resources & Investor Solutions

April 12, 2004

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	Current cost plus level dollar amortization of unfunded liability over 30 years
Affiliated Local Old Hire Plans	Current cost plus level dollar amortization of unfunded liability over varying periods up to 2022
Affiliated Local New Hire Plans	Current cost plus level dollar amortization of unfunded liability over 30 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, with the exception of the Statewide Death and Disability Plan (D&D).

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Board of Directors, Fire and Police Pension Association  
April 12, 2004  
Page 2

The D&D contribution rate may only be changed every two years by statute. This plan will have its funding requirement determined as of January 1, 2004, and because of substantial changes in the disability benefit provisions, is expected to meet the funding objective. In particular, a temporary disability limitation is now in place which was not recognized in the January 1, 2003 actuarial valuation.

The statewide plans and volunteer fire plans were last valued as of January 1, 2003. Most local affiliated old hire 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, 2003, 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 Mellon's actuarial reports. We have reviewed these schedules for their accuracy. Mellon 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 supporting schedules fully and fairly disclose the actuarial conditions of the plans.

Sincerely,



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



Elena Black, A.S.A.  
Senior Consultant, Actuary

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## General Information

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As of December 31, 2003 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, 56 local paid pension plans, 4 local money purchase plans, and 164 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 2003 the independent actuarial valuation was performed by Mellon 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 (2003, 2005, 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, 2003, 163 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, 2003, 358 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 Annuity 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 5 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 5 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
1/1/03	3,340	\$ 166,734,883	\$ 49,921	4.84%
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%

\* 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, 2002	\$ 424,863,706	\$ 428,388,591	(\$ 3,524,885)
Normal Cost	22,600,874	N/A	22,600,874
Contributions	2,429,085	25,910,236	(23,481,151)
Benefit Payments	(2,584,531)	(2,584,531)	0
Interest on:			
January 1, 2002	33,989,096	34,271,087	(281,991)
Normal Cost	1,808,070	N/A	1,808,070
Contributions	97,163	1,036,409	(939,246)
Benefit Payments	(103,381)	(103,381)	0
	35,790,948	35,204,115	586,833
Expected January 1, 2003	483,100,082	486,918,411	(3,818,329)
Actual January 1, 2003	472,263,233	424,088,589	48,174,644
Preliminary Gain or Loss	10,836,849	62,829,822	(51,992,973)
Excess Return on SRA	(14,153,931)	(14,153,931)	0
Net Gain or Loss	(\$ 3,317,082) Loss	\$ 48,675,891 Loss	(\$ 51,992,973) Loss

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

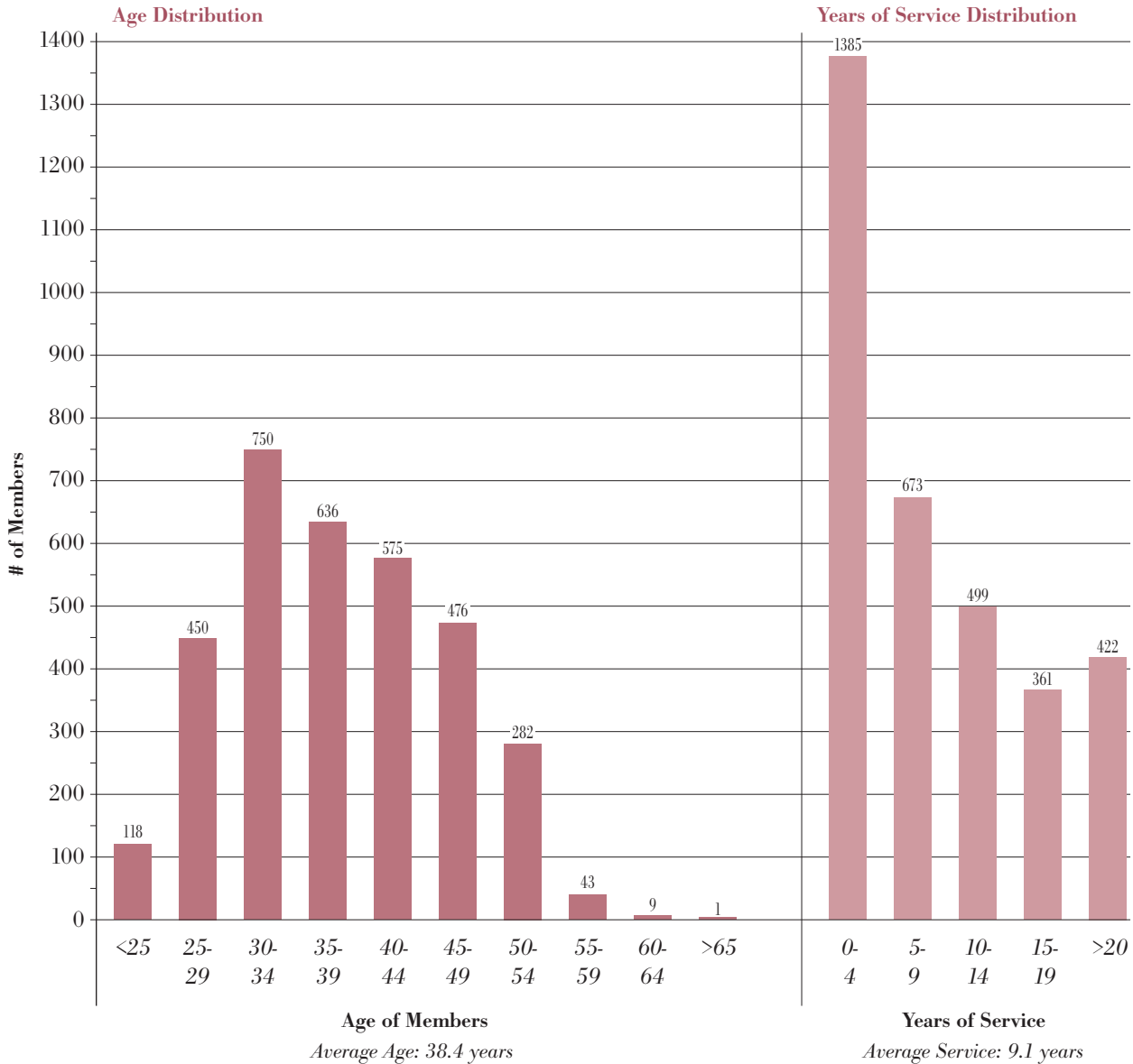
Year Ended	Added to Payroll		Removed from Payroll		Payroll		% Increase in Annual Benefit	Average Annual Benefit
	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit		
1/1/03	14	\$301,795	0	\$ 0	61**	\$1,054,842**	43.47%	\$ 17,292
1/1/02	16	\$374,072	1	\$ 3,687	47*	\$ 735,257*	107.97%	\$ 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

\* These end-of-year counts include two beneficiaries with a deferred vested benefit.

\*\* This count includes one beneficiary with a deferred vested benefit. The total annual benefits as of December 31, 2002 excluding this beneficiary is \$1,046,704.

## 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)	<u>Aggregate Accrued Liabilities For:</u>			<u>Funded Percentages</u>		
		(1)	(2)	(3)	(1)	(2)	(3)
		Active Member Contributions (000's)	Retirees and Beneficiaries (000's)	Active Members (Employee Financed Portion) (000's)			
1/1/03	\$424,089	\$95,830	\$26,599	\$349,834	100%	100%	86%
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%

## **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 five 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

Benefits to members and beneficiaries are increased annually on October 1. The amount of increase is based on the Board's discretion and can range from 0-3%.

### 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 5 years of service, the SRA account is forfeited. If a member has less than 5 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

The plan provisions have changed since the prior valuation. The full vesting requirement has been reduced from 10 to 5 years of active service. Another plan provision change concerns the determination of the annual cost of living adjustments. Cost-of-living benefit increases up to 3% are to be determined by the Board with no consumer price index limitation.

### Changes in Plan Provisions

The plan provisions have changed since the prior valuation. The full vesting requirement has been reduced from 10 to 5 years of active service. Another plan provision change concerns the determination of the annual cost of living adjustments. Cost-of-living benefit increases up to 3% are to be determined by the Board with no consumer price index limitation.

## Statewide Death and Disability Plan

### *Schedule of Active Member Valuation Data*

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	% Increase in Average Pay
1/1/03	9,462	\$499,043	\$52,742	3.39%
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%

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

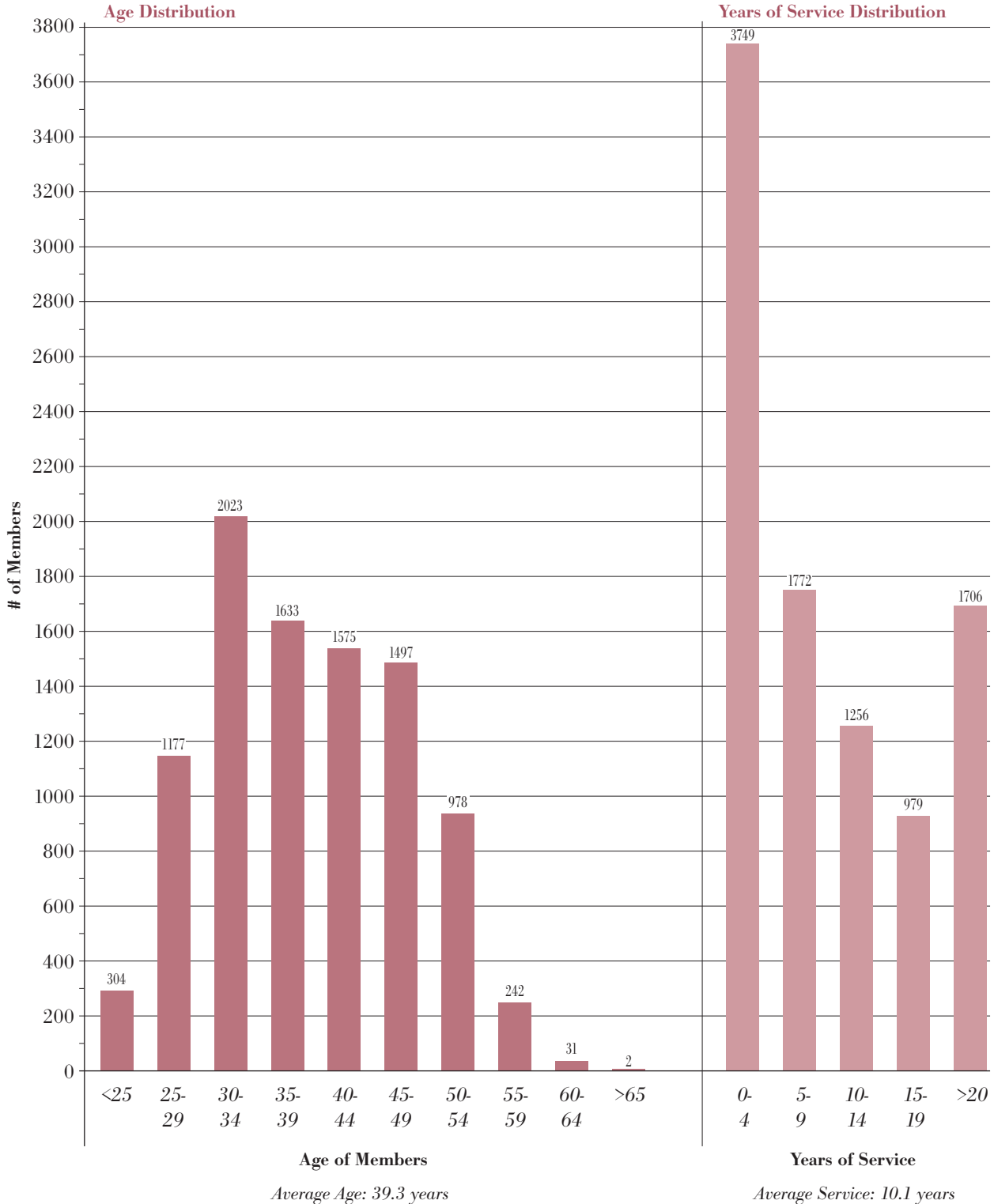
	Total Present Value of Benefits (1)	Plan Assets (2)	Unfunded Actuarial Accrued Liability (1 - 2)
January 1, 2002	\$ 325,505,812	\$ 239,456,347	\$ 86,049,465
Normal Cost	0	N/A	0
Contributions	0	4,070,803	(4,070,803)
Benefit Payments	(9,749,714)	(9,749,714)	0
Interest on:			
January 1, 2002 Balance	26,040,465	19,156,508	6,883,957
Normal Cost	0	N/A	0
Contributions	0	162,832	(162,832)
Benefit Payments	(389,989)	(389,989)	0
	25,650,476	18,929,351	6,721,125
Expected January 1, 2003	341,406,574	252,706,787	88,699,787
Actual January 1, 2003	357,093,396	218,151,921	138,941,475
Preliminary Gain or Loss	(15,686,822)	34,554,866	(50,241,688)
Loss due to Assumption Changes	(2,231,034)	0	(2,231,034)
Gain due to Plan Changes	7,125,964	0	7,125,964
Net Gain or Loss	(6,329,824) Loss	34,554,866 Loss	(40,884,690) 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		
1/1/03	36	\$736,302	13	\$182,056	585	\$10,200,028	11.16%	\$17,436
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

## Statewide Death and Disability Plan

### Age and Years of Service Distribution



## Statewide Death and Disability Plan

### 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.

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) Active Member Contributions (000's)	(2) Retirees and Beneficiaries (000's)	(3) Active Members (Employer Financed Portion) (000's)*	(1)	(2)	(3)
1/1/03	\$218,152	\$0	\$116,176	\$147,657	100%	100%	69%
1/1/02	\$239,456	\$0	\$106,937	\$135,363	100%	100%	98%
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%

\*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.

## Statewide Death and Disability Plan

### 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 disabled and his disability is judged to be a *permanent occupational disability*, he shall receive 50% of his base salary preceding disability regardless of his family status. If the member is occupationally disabled and his disability is judged to be a *temporary occupational disability*, he shall receive 40% of his base salary preceding disability regardless of his family status for up to five years. All disability benefits are reduced by Social Security disability benefits derived from employment as a member, if applicable. Total disability and permanent occupational 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. All disability benefits cease if the member recovers from disability.

### Cost-of-Living Increases for Benefits in Pay Status

Benefits to members and spouses are increased annually by a percentage to be determined 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 of 3%.

### Contributions

Members hired after 1996 contribute 2.4% of pay. Either the employer pays the entire 2.4% or it may be split between the employer and the member.

### 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

The plan provisions have changed since the prior valuation. Effective October 1, 2002, the occupational disability benefit was expanded to a “permanent occupational disability” benefit and a “temporary occupational disability” benefit. The permanent occupational disability benefit is 50% of base salary, and the temporary occupational disability benefit is 40% of base salary. Another change concerns the determination of the annual cost-of-living adjustments. Cost-of-living benefit increases up to 3% are to be determined by the Board with no consumer price index limitation for occupational disability and survivor benefits. Totally disabled members will receive an automatic 3% benefit increase.

## 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) Active Member Contributions (000's)	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion) (000's)*	(1)	(2)	(3)
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*

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#### **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 - \$1000 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.



## Affiliated Local Plans

### **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.

### **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*

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### **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 redetermination 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 accomplishes 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.

## 2003

### Senate Bill 057

This bill creates two new defined benefit plan alternatives for police and fire departments with money purchase plans. These departments may re-enter the existing Statewide Defined Benefit Plan or alternatively enter a new Statewide Hybrid Plan. The new Statewide Hybrid Plan offers a combination defined benefit and defined contribution benefit. Existing members of departments re-entering the Statewide Defined Benefit Plan pay an increased contribution rate in order to prevent adverse actuarial impact to existing Statewide Defined Benefit Plan members. This bill also decreased the vesting period for the Statewide Defined Benefit Plan to five years in order to bring a consistent vesting period to the statewide plans and facilitate the reentry of members from money purchase plans. The cost of lowering the vesting period to 5 years was 0.04% of payroll.

### House Bill 1009

This bill authorizes FPPA to create and implement a Health Care Defined Benefit Plan. FPPA has drafted the plan under Section 401(h) of the Internal Revenue Code. A vote was held in May 2004 of all statewide plan members (Statewide Defined Benefit Plan, Statewide Money Purchase Plan, and Statewide Hybrid Plan). If the vote passes the membership by 65%, all members of the statewide plans would contribute 1% of their salary. If less than the majority of a department's members vote in favor of adopting the plan, the employer may elect not to participate in the plan. Neither the state nor employers will have any liability for the plan.

### Senate Bill 056

This bill is commonly known as the FPPA Membership Bill. This legislation allows, but does not require, part-time firefighters and police officers to participate in FPPA retirement and disability plans, allows support staff of fire districts to become members of FPPA retirement plans with their department, and allows County sheriff departments to participate in FPPA supplemental social security plans for defined benefits and death and disability. Under the legislation fire and police members of the PERA pension plan would not be eligible to participate in the Statewide Death and Disability Plan because there is no ability to offset benefits. This bill was amended in the House of Representatives to also clarify that the FPPA Board has an obligation to provide documentation regarding state money held by FPPA required by the state auditor in conducting legislative audits.

### 2003 Distribution of State Funds

Volunteer Fire Pension Plans*	\$ 3,622,551
Old Hire Plans for Unfunded Liabilities*	0
<b>Total Monies Distributed</b>	<b>\$ 3,622,551</b>

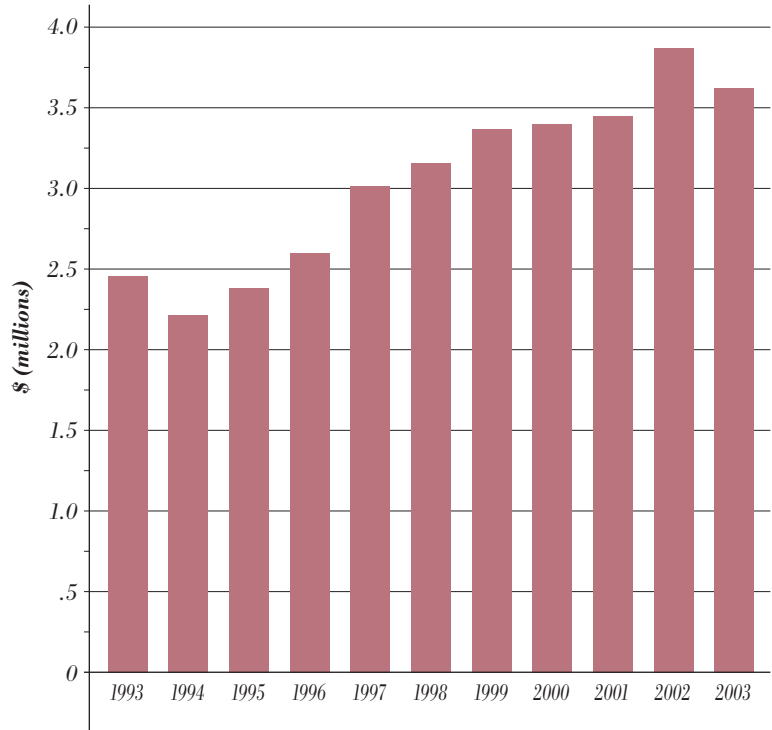
\*FPPA serves as a flow-through entity for state funding to non-affiliated departments.  
 State funding to FPPA affiliates was \$2.4 million. State funding to non-affiliates was \$1.2 million.  
 State funding for unfunded liabilities has been deferred to 2006.

### State Funds Allocated to Cities to Reduce Unfunded Liabilities

	1998	1999	2000	2001	2002	2003	Total (1980-03)
Aurora Fire	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,502,878
Aurora Police	1,032,476	1,032,476	0	0	0	0	9,175,314
Colo Spgs Fire	0	0	0	0	0	0	9,947,115
Colo Spgs Police	646,302	646,302	0	0	0	0	11,496,947
Denver Fire	9,172,120	9,172,120	9,827,860	9,960,439	9,960,439	0	154,587,795
Denver Police	11,604,493	11,604,493	12,434,131	12,601,870	12,601,870	0	204,255,738
Grand Jct Fire	314,551	314,551	337,039	0	0	0	4,589,087
Grand Jct Police	265,881	265,881	284,890	288,733	288,733	0	4,486,086
Greeley Fire	606,039	606,039	649,366	658,126	658,126	0	7,801,901
Greeley Police	0	0	0	0	0	0	192,075
Pueblo Fire	890,508	890,508	954,172	967,044	967,044	0	16,478,133
Pueblo Police	0	0	0	0	0	0	1,699,753
Rocky Ford Fire	10,710	10,710	0	0	0	0	131,044
Rocky Ford Police	0	0	0	0	0	0	14,005
Lakewood FPD	625,612	625,612	670,339	679,382	679,382	0	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	144,430	144,430	154,756	156,844	156,844	0	2,020,091
All Other	7,957	7,957	8,526	8,641	8,641	0	4,404,797
<b>Total</b>	<b>\$25,321,079</b>	<b>\$25,321,079</b>	<b>\$25,321,079</b>	<b>\$25,321,079</b>	<b>\$25,321,079</b>	<b>\$ 0</b>	<b>\$443,435,339</b>

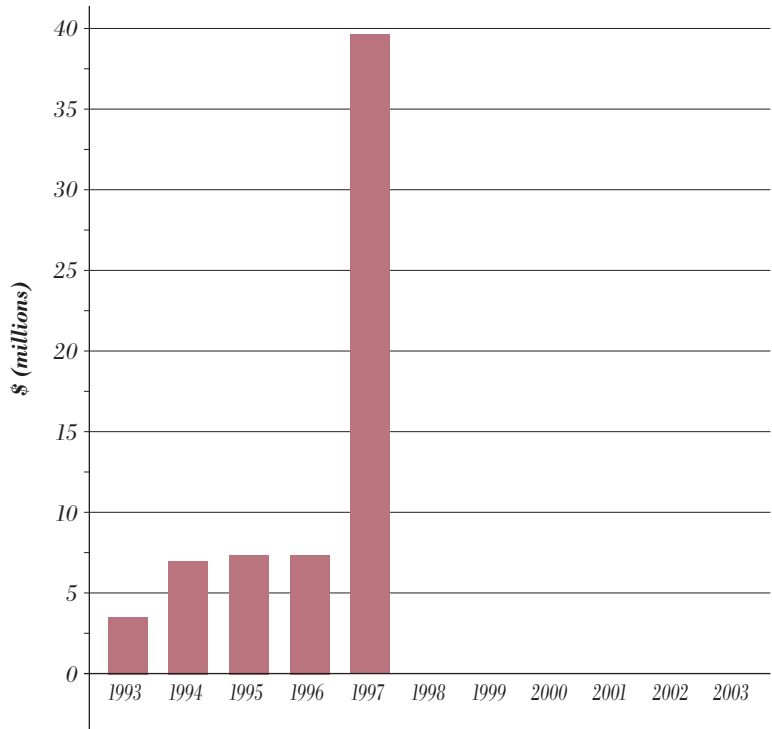
**State Funds Distributed to Volunteer Fire Departments (by year)**

	<i># of Departments Receiving Funds</i>	<i>Total Amount Distributed</i>
2003	204	\$3,622,551
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



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

	<i>Total Amount Distributed</i>
2003	\$ 0
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





**Revenues by Source - All Plans**

	1998	1999	2000	2001	2002	2003
Investment Earnings	\$ 250,900,298	\$ 396,262,695	(\$95,430,184)	(\$163,249,147)	(\$207,542,363)	\$440,600,246
State Funding	26,989,691	27,114,921	27,141,938	27,432,188	28,060,171	2,425,586
Employers	58,500,005	49,636,327	51,028,118	53,003,474	55,686,872	58,278,401
Employees	12,991,623	32,428,830	38,011,053	44,873,291	47,292,635	49,414,320
Affiliations	9,324,380	25,807,791	1,426,317	10,679,999	364,746	3,545,138
<b>Total</b>	<b>\$358,705,997</b>	<b>\$531,250,564</b>	<b>\$22,177,242</b>	<b>(\$27,260,195)</b>	<b>(\$76,137,939)</b>	<b>\$554,263,691</b>

**Revenue Allocation - All Plans**

	1998	1999	2000	2001	2002	2003
Additions to Fund Balance	\$263,184,561	\$412,447,619	(\$114,127,155)	(\$172,154,282)	(\$232,373,436)	\$387,708,585
Benefit Payments	82,533,683	101,496,836	112,283,281	125,003,556	133,970,296	142,466,923
Administrative Expense	3,024,568	3,254,498	3,426,968	3,168,290	3,320,776	3,149,814
Refunds & Withdrawals	9,963,185	14,051,611	20,594,148	17,813,389	19,823,566	21,399,602
<b>Total</b>	<b>\$358,705,997</b>	<b>\$531,250,564</b>	<b>\$22,177,242</b>	<b>(\$26,169,047)</b>	<b>(\$75,258,798)</b>	<b>\$554,724,924</b>

**Expenses by Type - All Plans**

	Benefit Payments	Refunds	Administrative Expenses	Capital Expense	Total Expense
2003	\$142,466,923	\$21,399,602	\$3,149,814	\$48,797	\$167,065,136
2002	\$133,970,296	\$19,823,566	\$3,320,776	\$55,386	\$157,170,024
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

# Statistical Section

## Employers

### 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\*  
Eaton FPD  
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  
Milliken FPD  
Minturn Fire\*  
Montrose FPD  
Mountain View FPD  
Mountain View Police  
Northeast Teller County FPD  
North Washington FPD  
Northwest FPD  
Oak Creek 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  
Pleasant View Metro Fire  
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  
Southern Park County FPD  
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\*  
Eaton FPD  
Elizabeth FPD  
Elizabeth Police\*  
Elk Creek FPD\*  
Empire Police\*  
Evans Police and Fire  
Fairmont FPD  
Falcon 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\*  
Wray 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  
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

### 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

\*Currently inactive, with no active members

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  
Durango Fire & Rescue Authority  
Eads VFD  
Eaton FPD  
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  
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 I05 FPD  
Jefferson-Como FPD  
Kiowa FPD  
Kremmling FPD  
La Junta  
La Salle FPD  
Lafayette VFD  
Lake City Area  
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  
New Raymer-Stoneham FPD\*  
Northeast Teller County FPD  
North Fork VFD  
North Routt County  
North Washington FPD\*  
Northwest FPD  
Northwest Conejos County FPD  
Nucla-Naturita FPD  
Nunn Volunteer FPD  
Oak Creek FPD  
Olathe FPD  
Olney Springs VFD  
Ouray Volunteer FPD  
Palisade VFD  
Palmer Lake VFD  
Parker FPD\*  
Pawnee FPD  
Pinebrook Hills FPD  
Pinewood Springs VFD

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 Fork VFD  
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
12/31/2003	\$1,682	52.1	63.8	24.6
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.*

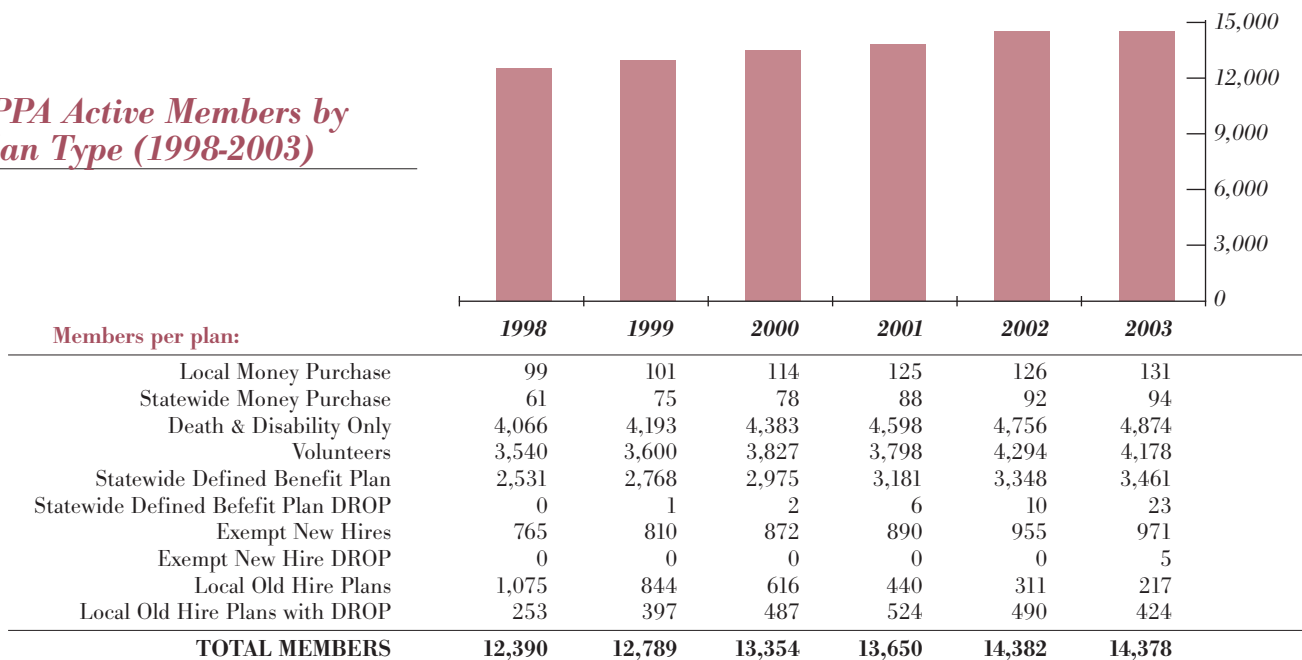
# Statistical Section

## Member Data

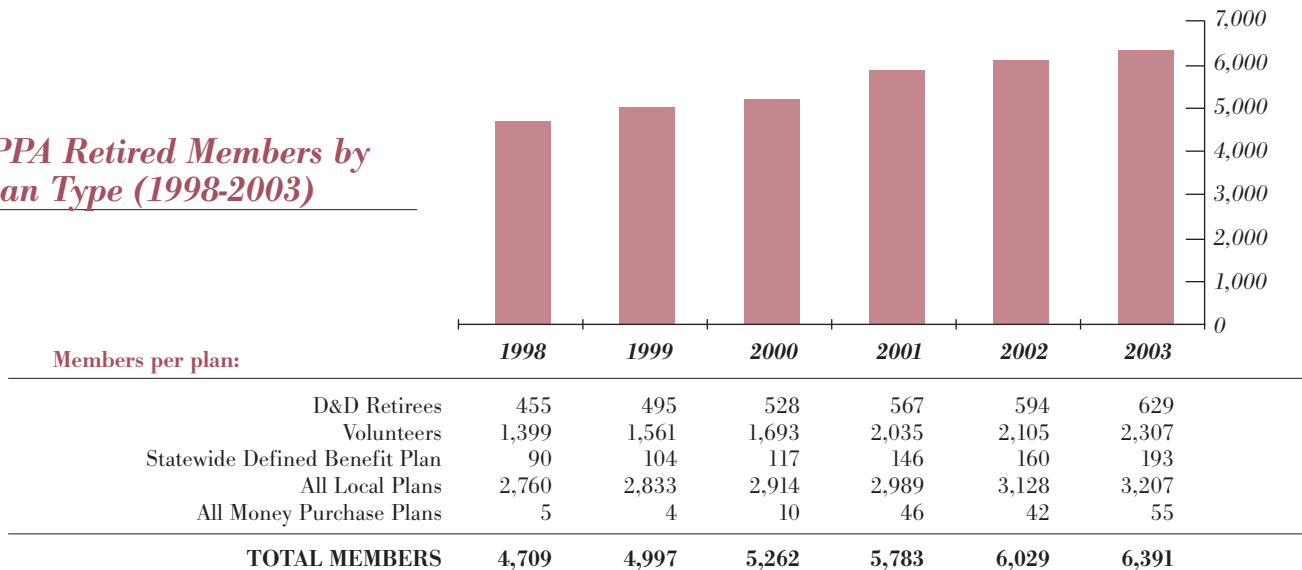
### Schedule of Benefit Disbursements by Type

Year Ended	Benefit Payments	Refunds of Contributions	Total
12/31/2003	\$142,466,923	\$21,399,602	\$163,866,525
12/31/2002	\$133,970,296	\$19,823,566	\$153,793,862
12/31/2001	\$125,003,556	\$17,813,389	\$142,816,945
12/31/2000	\$112,283,281	\$20,594,148	\$132,877,429
12/31/1999	\$101,496,836	\$14,051,611	\$115,548,447
12/31/1998	\$82,533,683	\$9,963,185	\$92,496,868

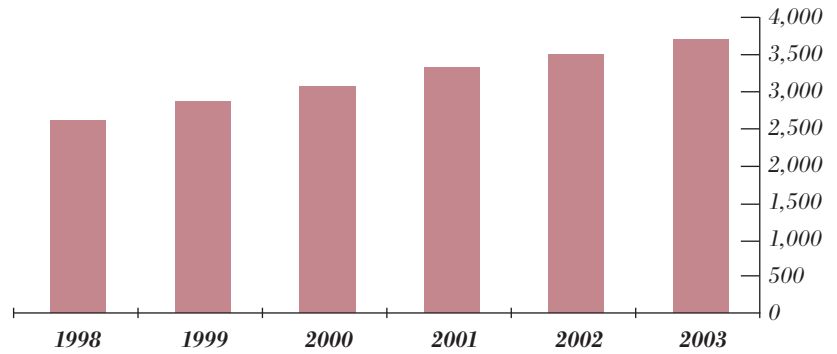
### FPPA Active Members by Plan Type (1998-2003)



### FPPA Retired Members by Plan Type (1998-2003)

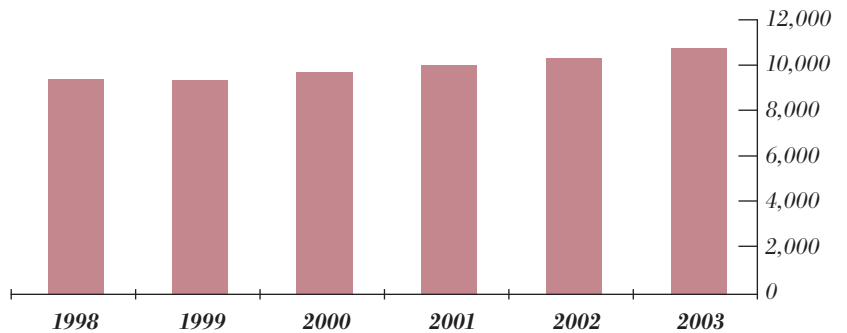


**Statewide Defined Benefit  
Plan Membership by  
Status (1998-2003)**



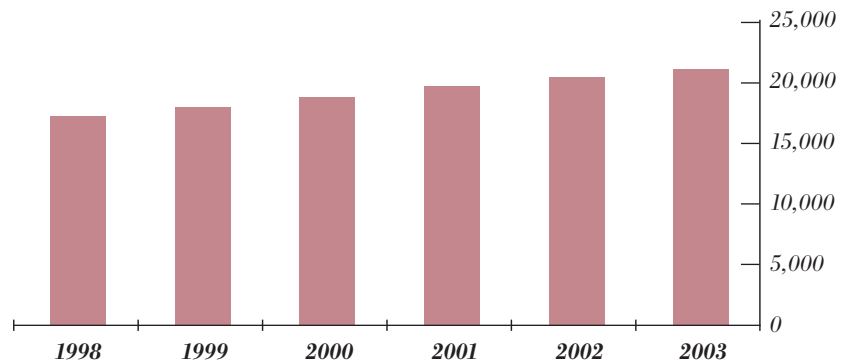
	1998	1999	2000	2001	2002	2003
Terminated Vested	67	76	87	103	111	134
Retired & Beneficiaries	23	28	30	43	49	59
Non-vested Actives	1,614	1,771	1,866	1,986	2,089	1,370
Partially Vested Actives	896	995	1,103	1,156	1,213	2,000
Fully Vested Actives	1	2	6	45	46	91
DROP Actives	0	1	2	6	10	23
<b>TOTAL MEMBERS</b>	<b>2,601</b>	<b>2,873</b>	<b>3,094</b>	<b>3,339</b>	<b>3,518</b>	<b>3,677</b>

**Death & Disability  
Plan Membership by  
Status (1998-2003)**



	1998	1999	2000	2001	2002	2003
Disabled Retirees	331	372	402	430	462	486
Beneficiaries	124	123	126	137	132	143
Non-vested Actives	8,850	8,739	9,038	9,322	9,585	9,744
<b>TOTAL MEMBERS</b>	<b>9,305</b>	<b>9,234</b>	<b>9,566</b>	<b>9,889</b>	<b>10,179</b>	<b>10,373</b>

**FPPA Active and Retired  
Members by Occupation  
(1998-2003)**

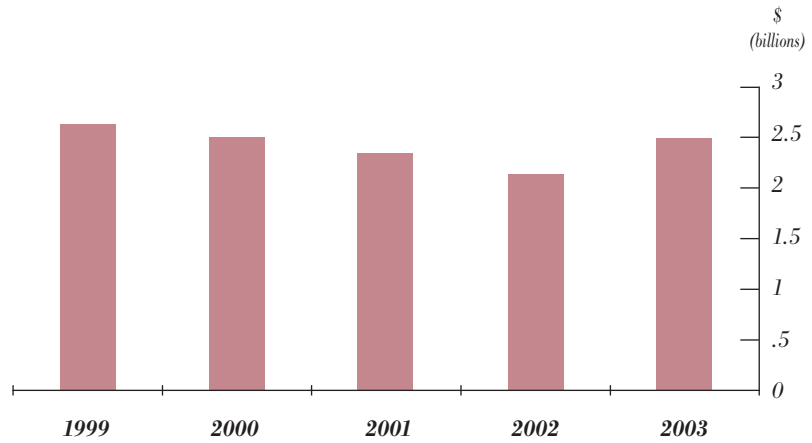


	1998	1999	2000	2001	2002	2003
Retired Firefighters	2,921	3,152	3,312	3,777	3,943	4,158
Active Firefighters	7,228	7,479	7,909	8,065	8,748	8,732
Retired Police	1,788	1,936	1,976	2,047	2,133	2,232
Active Police	5,162	5,310	5,445	5,585	5,634	5,639
Retired Administrative	0	0	0	0	0	1
Active Administrative	0	0	0	0	0	7
<b>TOTAL MEMBERS</b>	<b>17,099</b>	<b>17,877</b>	<b>18,642</b>	<b>19,474</b>	<b>20,458</b>	<b>20,769</b>

# Statistical Section

## Member Data

### Growth of Total Pension Fund Assets (1999-2003)



	1999	2000	2001	2002	2003
Revenues/Inflows	\$ 137,132	\$ 119,947	\$ 138,556	\$ 131,404	\$ 113,663
Withdrawals/Outflows	(119,567)	(138,654)	(146,623)	(157,291)	(167,016)
Return on Investments	401,043	(97,194)	(165,345)	(206,487)	441,061
Beginning Asset	2,215,337	2,633,945	2,518,044	2,344,632	2,112,259
<b>TOTAL \$ in thousands (000's)</b>	<b>\$2,633,945</b>	<b>\$2,518,044</b>	<b>\$2,344,632</b>	<b>\$2,112,258</b>	<b>\$2,499,967</b>

### Schedule of Retired Members by Type of Benefit as of December 31, 2003

	Monthly Benefit Amount						Total
	<\$500	\$501-1000	\$1001-1500	\$1501-2000	\$2001-2500	>\$2501	
<b>Statewide Death &amp; Disability Plan</b>							
Occupational Disability	30	78	147	132	42	9	438
Occupational Disability-Survivor	11	4	2	0	0	0	17
Total Disability	1	0	6	4	15	22	48
Total Disability-Survivor	3	10	8	9	3	0	33
Survivor of Active	7	5	24	40	11	6	93
<b>*Money Purchase Normal</b>	N/A	N/A	N/A	N/A	N/A	N/A	55
<b>Statewide Defined Benefit Plan</b>							
Normal	8	14	9	10	9	6	56
Vested	13	64	34	12	7	4	134
Retiree-Survivor	2	1	0	0	0	0	3
<b>Local Plan</b>							
Disability Retirement	8	16	7	8	82	700	821
Disability-Survivor	4	7	8	202	73	18	312
Normal Retiree	1,572	203	47	62	240	1,302	3,426
Survivor	265	49	28	125	43	34	544
Early Retiree	0	0	10	9	27	39	85
Vested Retiree	272	39	12	3	0	0	326
<b>Totals</b>	<b>2,196</b>	<b>490</b>	<b>342</b>	<b>616</b>	<b>552</b>	<b>2,140</b>	<b>6,391</b>

\* 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 287 presentations to members from 117 fire and police departments.

## Educational Seminars

FPPA holds various educational seminars for its members and their spouses. The goal of these seminars is to assist in the members' overall preparation for retirement, both financially and psychologically. Seminars cover a variety of topics related to life-planning and retirement planning, such as Wills & Estate Planning, Financial Planning, Long-term Care Insurance, Social Security and Medicare, etc.

## 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, the Statewide Hybrid 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, and those local money purchase plans that elect to enter the Statewide Hybrid Plan 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.

This will be the last year that FPPA administers the state volunteer matching funds program for all volunteer departments statewide. The State of Colorado will begin administering the program in 2004. We will continue to serve as an information resource to assist departments with questions relating to their pension plans.

## Internet Access

The FPPA Web site at [www.FPPACO.org](http://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, City of (Police)	Glendale, City of (Police & Fire)	Platteville, Town of (Police)
Arvada FPD	Granada, Town of (Police)*	Poudre Fire Authority
Arvada, City of (Police)	Greeley, City of (Police)	Pueblo Rural FPD
Aurora, City of (Police & Fire)	Green Mountain Falls/Chipita Park FPD*	Pueblo, City of (Police & Fire)
Basalt & Rural FPD	Hartsel FPD	Red, White & Blue FPD
Bennett FPD No 7*	Hugo, Town of (Police)	Sable-Altura FPD*
Berthoud FPD	Idaho Springs, City of (Police)*	Salida, City of (Police & Fire)
Boulder Rural FPD	Ignacio, Town of (Police)*	Snake River FPD
Brush, City of (Police)	Jefferson-Como FPD	South Adams County FPD
Buena Vista, Town of (Police)	Kremmling FPD	Southwest Adams County FPD #2*
Cañon City Area FPD	Lake Dillon FPD	Sterling, City of (Police & Fire)
Castle Rock, Town of (Fire)	Lakeside, Town of (Police)*	Stratmoor Hills FPD
Cherryvale FPD	Lochbuie, Town of (Police)	Telluride FPD
Cimarron Hills FPD	Loveland, City of (Police & Fire)	Town of Stratton (Police)
Clifton FPD*	Lower Valley FPD*	Tri-Lakes FPD
Colorado Springs, City of (Police & Fire)	Manitou Springs, City of (Police & Fire)	Trinidad, City of (Fire)
Cripple Creek, City of (Police & Fire)	Montrose FPD	Union Colony Fire Rescue
Cunningham FPD	Mountain View FPD	Upper Pine River FPD
Durango Fire & Rescue Authority	Mountain Village, Town of (Police)	Vail, Town of (Police and Fire)
Eaton FPD*	North Metro Fire Rescue Authority	West Routt FPD
Elizabeth FPD	North Washington FPD	Wiggins, Town of (Police)*
Federal Heights, City of (Police & Fire)	Northeast Teller County FPD	Windsor Severance FPD*
Firestone, Town of (Police)*	Northwest FPD	Woodmoor Monument FPD
Foothills FPD	Pagosa FPD*	Wray, City of (Police)
Fort Collins, City of (Police)	Palisade (Police & Fire)	Yuma, City of (Police)
Fort Lupton FPD	Parker FPD	
Frederick-Firestone FPD*	Platte Canyon FPD	

\* currently no participants

### 457 Deferred Compensation Plan & Money Purchase Plan 2003 Rates of Return and Selected Multi-year Average Returns

	1 year	5 year	10 year	Life of Fund	457 Plan 2003 Year End Balances	Money Purchase Plan 2003 Year End Balances
Fidelity Managed Income Portfolio	4.47%	5.41%	5.68%	6.11%	\$1,425,840	\$778,897
Fidelity U.S. Bond Index	4.91	6.64	6.93	8.21	1,180,577	1,151,446
PIMCO Total Return - Administrative Class	5.30	7.05	N/A	8.22	71,027	31,040
Fidelity Freedom 2000	9.21	4.55	N/A	7.64	34,395	321,183
Fidelity Freedom 2010	17.13	4.58	N/A	8.78	3,370,234	6,809,994
Fidelity Freedom 2015	N/A	N/A	N/A	N/A	1,757	N/A
Fidelity Freedom 2020	24.90	3.56	N/A	8.62	669,384	671,056
Fidelity Freedom 2025	N/A	N/A	N/A	N/A	4,202	3,174
Fidelity Freedom 2030	28.42	2.73	N/A	8.09	397,958	172,001
Fidelity Freedom 2040	31.16	N/A	N/A	-6.40	216,851	61,017
Fidelity Equity - Income	29.96	3.53	10.77	13.24	1,916,873	1,540,521
Spartan U.S. Equity Index	28.50	-74.00	10.86	11.94	2,245,933	1,316,649
Fidelity Growth Company	41.36	3.39	11.04	14.59	5,020,114	2,723,892
Fidelity OTC	35.80	-2.00	9.88	14.85	3,124,774	2,443,260
Janus Mid Cap Value	39.33	17.70	N/A	19.28	459,898	239,118
T. Rowe Price Small Cap Stock	32.35	10.13	12.57	13.64	633,291	363,542
Fidelity Diversified International	42.38%	9.02%	11.11%	10.71%	\$1,122,497	\$640,040
<b>TOTAL</b>					<b>\$21,895,703</b>	<b>\$19,266,829</b>



## ***Optional Insurance Benefit Programs***

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FPPA offers retirees a broad range of health, dental, vision and similar type benefits. The list of available benefits is constantly being reviewed, improved and expanded. Some of these benefits are available to the retired member by simply applying for coverage. Others are more restrictive, requiring a review and approval of the member's current health status by the insurance company.

## ***The Gemini Group***

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The Gemini Group serves as FPPA's benefits consultant. The various benefits described in this section have been arranged through Gemini. Members may call them at any time for information and advice or to receive assistance in the insurance application process.

The Gemini Group may be reached in the Denver metro area by calling 303-893-0300 or toll free by calling 888-795-0300.

## ***Retiree Health Insurance***

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### **Retirees Under Age 65**

The most costly benefit most of us purchase is health insurance. Members who are under age 65, and not yet eligible for Medicare, are faced with qualifying and paying for an individual health policy. Individual health policies differ from group policies that are supplied through the employer because applicants must qualify and be approved by the insurance company. The application includes medical questions about the applicant, and the applicant's medical records may be reviewed as part of the application and approval process.

Gemini works with a variety of insurance companies. Each company has developed their own approval criteria. Since each company has differing policies with regard to medical conditions, it is important for members to use a consultant that knows the market and can shop around. Members may apply for an individual policy at any time.

### **Medicare Eligible Retirees (Age 65 And Over)**

Members age 65 or older, may qualify for Medicare. In the Denver metropolitan area FPPA has a policy issued by PacifiCare. The program is known as Secure Horizons Medicare+ Choice Group Retiree Plan. This plan is an enhancement to Medicare by which PacifiCare is totally responsible to cover the members health care costs plus provide additional programs to get them healthy and keep them healthy. PacifiCare has a network of contracting Primary Care Physicians, health care professionals, and Medicare providers. It also includes prescription drugs, and vision care. Premiums are deducted from the monthly pension check.

## ***Dental Insurance***

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Retirees may choose from two different dental plan options offered by Fortis Benefits. Fortis is a national company providing this group dental benefit to our retirees. They may go to the dentist of their choice anywhere in the U.S. Enrollment is not restricted and members can apply at any time by contacting Gemini or FPPA's Payroll Specialist.

Benefits are available for the member and their spouse and dependents. Prices vary based on which plan is chosen and how many family members are enrolled in the plan. Premiums are deducted from the monthly pension check. Information on both plans is available by calling the Gemini office or FPPA's Payroll Specialist.

## ***Vision Insurance***

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We currently offer two vision programs, Vision Service Plan (VSP) and EyeMed Vision Plan. Members may enroll in these programs at any time. Both VSP and EyeMed have an extensive list of participating doctors from which to choose. Premiums are deducted from the monthly pension check.

EyeMed offers a choice of two plans, one is inexpensive with lower benefits. The second plan costs somewhat more each

month, but the member then pays less for lenses and frames. The annual eye exam costs just \$10 under either plan. Information on both plans is available by calling the Gemini office or FPPA's Payroll Specialist.

FPPA also has access to the following individual supplemental insurance available to retirees:

### **Long-Term Care Insurance**

The chances are good that all of us will need either nursing home care or home health care during the later years of our lives. Buying a long-term care insurance policy provides money to pay for these services without becoming a burden on a spouse or children.

There are a variety of policies from quite a range of insurance companies. It is important that members carefully review the many options available and be sure and get competent advice before making a decision. Gemini has a long-term care specialist available to help.

### **Life Insurance**

While employed, members had access to an employer-sponsored life insurance. This benefit usually cannot be continued after retirement from active service. Gemini offers a life insurance program that can be tailored to your individual needs. Smaller policies are available to take care of final expenses. Larger policies are also available. This benefit is available for active members and retirees. Call the Gemini office for more information.

### **AFLAC Supplemental Benefits**

We have all seen the duck on TV representing the American Family Life Assurance Company of Columbus (AFLAC). We are now able to offer a few of their products to our members and retirees.

- **Cancer Expense** – Helps offset the medical expenses related to cancer treatment. In the U.S. men have a little less than a 1-in-2 lifetime risk of developing cancer; for women the risk is a little more than 1-in-3. Over 37 billion is spent each year to treat cancer.
- **Intensive Care** – Covers confinement in hospital intensive care. ICU costs can soar well above those of a general room, as well as the benefit levels of standard health insurance policies.
- **Accident/Sickness/Disability** – Helps provide a financial cushion beyond an accident to include sickness, and off-the-job disability riders.
- **Long-Term Care** – Flexibly offers Nursing Home, Assisted Living and Home Health Care options. The average annual cost for care is approximately \$50,000 and rising rapidly with about 46% of utilization going to recipients under age 65.
- **Life Insurance** – Provides Term or Whole life. Provides a financial cushion in the untimely death of a loved one.

Information on any of these plans is available by calling the Gemini office.

## **General Contact Information:**

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- The Gemini Group may be reached at 303-893-0300 or toll free at 888-795-0300.
- The FPPA Payroll Specialist may be reached at 303-770-3772 or 800-332-3772.